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GIFT OF



EDWARD A. FILENE

The Book of Business

Edited by
SAMUEL CROWTHER



VOLUME TWO

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NEW YORK

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EDWARD A. FILENE

EDWARD A. FILENE is known as the most scientific retail merchant in the country, and he has probably given more attention to the management of business on scientifically economic lines than any other man.

He is the President of William Filene Sons Company of Boston, which is the largest specialty store in the United States. He was born in Boston, was graduated from the grammar and high schools of Boston and Lynn, and with his brother, A. Lincoln Filene, started a small shop in Lynn. Later they moved to Boston and laid the foundation of the present great establishment.

The outstanding feature of Mr. Filene's work in retail merchandising has been first the formulation and then the putting into practice of definite merchandising principles, the store's plans of operation being commonly laid to cover one or two years ahead and in some departments even more than that. Recognizing that one cannot carry out the best of policies without the best of assistance, Mr. Filene and his brother, together with the Filene employees, worked out the Filene cooperative plan, which is a system in which the employees have an active part in the management of the store and through a body called the "arbitration committee" settle most of their own questions of compensation and complaint.

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Mr. Filene has in recent years carried out a policy of giving the major portion of his time to public affairs. He is one of the organizers of the United States Chamber of Commerce, he helped to found the Harvard Graduate School of Business, and has been prominent in numerous other public commercial activities.

Mr. Filene was born in 1860.

THE RULES OF SUCCESS

EDWARD A. FILENE

IS success at all a matter of rules? We are apt to think of success as something entirely compounded from genius, and not a few successful people are very fond of declaring—although not in so many words—that, to all intents and purposes, they have been touched with a magic wand.

I am inclined to accept the definition of genius as “an infinite capacity for hard work.” And out of my own experience, I know that success is usually as much the result of inspiration as the result of coordination and careful planning, and thus, I think that there are rules for success. Now, let me explain.

Rules are essentially negative rather than positive, and merely obeying rules gets one nowhere. For instance, a young man who has no bad habits is most praiseworthy, but not necessarily a man destined for success; because, more than likely, the virtue of his conduct is due to a lack of driving force. If he has an inclination to various bad habits and does not indulge them—if he keeps himself in check—then his prospects of success are infinitely better than those of the exemplary young man who is exemplary by default. It is the same way with rules.

We must have something to regulate, and what I mean by the “rules of success” can be more con-

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cretely, although more clumsily, stated as the rules of the successful application of ideas. Success is founded upon ideas—they are the bricks. The rules furnish the mortar. You cannot build a house with bricks alone; nor with mortar alone. The two are complementary. An idea, to be useful, has to be communicated. There are then certain rules for guidance in developing ideas which I and others have found successful, and so, I think, they may be considered as of general application. Here they are:

(1) *Make your plan in writing.*

Until the plan is reduced to writing, it cannot be considered as a plan at all. An ingrowing thought is not an idea—it is more in the nature of what is called a “hunch.” It may interest and amuse its possessor, but it is of no earthly use unless communicated. If you cannot put your idea or your plan down on a sheet of paper, most certainly you cannot transfer it to the mind of another. It is extraordinary, when applying this principle, how very many of what we consider ideas turn out to be nothing at all. For, when reduced to black and white, the point that we thought we had and thought to be only elusive—is not there. We had merely been having a dream. And, as Stevenson points out in one of his essays, he evolved a great number of perfectly splendid plots in dreams, but whenever he put them into writing the climax vanished.

(2) *Compare it with the methods of the most successful men.*

The immature idea is that one should evolve a plan or an idea from what might be called the totality of originality—from A to Z—and that there is something wrong about borrowing ideas and parts

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of ideas, or in taking anything that has gone before. Exactly the contrary is true.

No one, in his lifetime, can possibly cover the entire ground of a subject. The man who gets on is the man who gathers, in the least possible time, the greatest amount of information from the labors of others. The questions to ask ourselves when we are putting the idea into writing, when we are forming a new plan, are:

“Has anyone else done this?” and

“Have they done it better than I plan to do it?”

If we find that it has been done, we may or may not find that the way we project is the best way. But, undoubtedly somewhere, we shall discover that some one else has had at least a part of our idea and has something which we well might build upon. A really big idea, a really big plan, a really great success, is always based on a collection of what has gone before and is not something wholly new and original. For instance, if we are retail merchants, the best course in the world is to circulate among the largest possible number of retail stores—find out what they are doing. If we cannot discover improvements upon our own idea, it is simply because we are blind. No plan is ever perfect; our idea is always open to change and amendment; it can always be improved. And the best and easiest way to discover this improvement is to see what the other man is doing.

(3) *Have it criticized in advance by those it will affect and by anyone else who can be helpful.*

Our plans are bound to be criticized either before or after they are put into operation. This is to me the most important of all the rules, and for two

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reasons:—The first is that we must work with men and, therefore, before we put anything at stake we should know the reaction of the people affected. I could give any number of good ideas that have proved utterly unworkable simply because they were not offered for criticism before being put into operation. The second reason for the importance of this rule is that criticism to most people connotes destructive comment. Constructive criticism is almost unknown and when it does occur, is usually taken for praise. Destructive criticism may or may not be helpful. It may be very helpful indeed in the way of showing up really weak spots which may be changed, or, again, it may be helpful in discovering sections of adverse sentiment which have to be treated with before the plan can get a fair trial. And this opportunity for confidential advance inspection often gives the opportunity to make slight and even unnecessary changes to suit particular factions or people, and, after such changes are made, it will usually happen that those who might easily have continued adverse will turn into the liveliest of proponents.

It is only human nature for people to like to have a hand in things, and the really successful man makes those around him believe that they are doing the work, whether or not they are doing it. Perhaps I am lapsing to the executive point of view, but we are all executives in a way, no matter what may be the particular title of the place in society we hold. Making the application to the employee, the thing would be for him to take counsel with his fellows so that, after the plan had been presented to those higher up, their investigation would disclose a strong

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sentiment in its favor. This is a perfectly legitimate way of planting for a good crop of public opinion.

(4) *Put it into operation.*

It is self-evident that after a plan has been approved, it should be put into operation and that would seem to be a mere mechanical detail. On the contrary, here is a point where killing opposition may again be met with. For example, we have all seen street railway companies evolve perfectly good plans for handling traffic and then put them into operation in such an ingeniously stupid way as almost to cause a riot. To explain what I mean perhaps it would be better to substitute for the phrase "put into operation" the phrase "slide into operation" with the emphasis on "slide"—which means in turn that every explanation and direction should be forthcoming in order that the possibility of a slip up may be reduced to the absolute minimum.

Unless those affected understand what is expected of them, the new idea of a supposed improvement may only serve to cause confusion.

(5) *See that it keeps itself in operation until rescinded.*

Until our plan keeps in operation automatically we have not organized it. The difficulties a plan is likely to meet with when put into operation should be foreseen and provided for. After the first enthusiasm always attendant upon the starting of a new thing there comes a sort of reactionary lull, when a fresh impetus is needed, and if that impetus be not at hand, the idea will fail simply through inaction. The father of the idea cannot afford to push his idea like an empty boat into midstream to let chance take it where it may. He must follow it for

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a time and that time is regulated by circumstances. A plan which we believe is good should be kept going by its author either until it has proved itself to the point of becoming automatic or to the point of being discarded, for, unless a plan thoroughly started and kept going through the critical period finally becomes automatic, there is some radical defect which gives occasion to decide either on discarding or on drastic revamping.

(6) *Keep the plan open to revision, but do not allow it to be changed excepting after the most careful reasoning.*

Once a plan has proved itself in operation, that is, has become automatic, improvements will undoubtedly suggest themselves or be suggested. If there is any idea in mind that the thing is perfect and cannot be improved under any circumstances, then eventually it will fail, because it will cease to meet the inevitable changes which occur with conditions. Nothing is static. More people and more concerns fail because they will not adjust themselves to conditions than for any other reason. But, on the other hand, too ready a willingness to meet purely transient conditions breaks down the backbone of an idea and leaves it flat and wobbly. If we treat a change suggested in any plan which is already in operation as a new idea and subject it to the kind of scrutiny I have outlined in the previous paragraphs, we shall not too easily change, but, at the same time, we shall not permit our schemes to become wooden.

JOHN WANAMAKER

JOHN WANAMAKER, with the late Marshall Field, can practically be given credit for the establishment of the modern department store, the only other man to be considered in this connection being the late A. T. Stewart, and it is noteworthy that A. T. Stewart, during his lifetime, was Mr. Wanamaker's model merchant, and the present Wanamaker New York store is the old A. T. Stewart establishment.

Mr. Wanamaker was born in Philadelphia, had only a public-school education, and began work as an errand boy in a bookstore at the age of fourteen years. Then he became a retail-clothing salesman and established the clothing house of Wanamaker & Brown. Out of this clothing establishment, by the adding of one department after another, grew the enormous Philadelphia store under the name of John Wanamaker.

He is the pioneer of modern department-store advertising in which distinctive type and style are used, and was the first daily to take full-page space. He has taken a considerable interest in politics as a Republican, was Postmaster General under President Harrison, and founded and still supervises the Bethany Sunday School, which is the largest in the United States. He founded the Wanamaker Institute of Industries, and has given large sums to various charities, personally sending two relief ships to Belgium in 1914. He is an officer of the French Legion of Honor. He was born in 1838.

BUSINESS AS A SCIENCE

JOHN WANAMAKER

A CLEARLY defined standard of business ethics, with policies specific and permanent, broadly conceived, conserves the interests of the people as well as the workers.

Somehow it seems to be ordained that creative plans promote progress.

I firmly believe that a business career, of the kind we have always in view, comprehends and requires the very same preparation as any of the learned professions. Whatever doctors, lawyers, engineers, and scientists acquire for their life work and for its necessary investigations of malarias, epidemics, and surgical operations, is likewise necessary to the merchant, who not only puts in his brain, but risks all the money he has and can command, in securing the entire world of art, invention, productive power, and most skillful manufacturing, to assemble it coherently for purposes of education as well as profit.

To do this well and wisely the merchant lives his life among his people, gives them his best endeavor healthward, and with happy labor surroundings affords them self-respecting and self-supporting labor, which educates them and elevates their station of life.

A merchant's schools reach scores, hundreds, and sometimes thousands and tens of thousands of in-

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dividuals every one of the six week days. A merchant's opportunity is in many instances broader and farther reaching than the average professional, and some day it will be so recognized. Anyone can be a shopkeeper, but a merchant is as different from a shopkeeper as a mouse is from a Rocky Mountain eagle.

JOHN D. ROCKEFELLER, JR.

JOHN D. ROCKEFELLER, JR., for many years was so overshadowed in the public mind by his great father that he was considered more as a son of his father than as a man. During this time, however, Mr. Rockefeller, realizing both the responsibilities and the handicaps incident to the management of large corporate interests which were not of his own building, was making a thorough and unostentatious study of business, particularly of the human relation.

Graduating from Brown University in 1897, he became associated with his father in the management of his various interests, business and philanthropic, and has had a part in the development of the large Rockefeller benefactions for the advancement of health and science. In the active working out of all of these enterprises Mr. Rockefeller has taken a great interest. He is chairman of the Board of the Rockefeller Foundation, a director of the General Education Board, the Rockefeller Institute for Medical Research, the International Health Board, and the China Medical Board. He is also chairman of the Bureau of Social Hygiene, an organization which he brought into being and has supported for the purpose of studying problems relating to the social evil and assisting in the effort to check its extension.

Within the last few years he has written to a considerable extent upon the human relation in industry. He was born at Cleveland in 1874.

THE BIGGEST THING IN BUSINESS

JOHN D. ROCKEFELLER, JR.

HERETOFORE the chief executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers. The time is rapidly coming, however, when the important qualification for such positions will be a man's ability to deal successfully and amicably with labor.

Let us trace, briefly, the history of the development of industry, that we may see where this personal relationship is present, where absent, and what is the effect of its presence or absence.

Industry in its earliest forms was as simple as it is complex to-day. The man who provided capital was frequently the director, president, general manager, and superintendent of the enterprise, and in some instances actually worked with his employees. These latter were few in number. They were usually born and brought up in the same community with their employer, his companion in school days, his friends and neighbors often calling him, as he did them, by their first names. There was daily contact between employer and employee, and, naturally, if any questions or causes for complaint arose on either side, they were taken up at the next chance meeting and adjusted.

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Next came the partnership, a development necessary because more capital was required than a single individual cared to or was able to provide. Two or more partners were thus associated together, but otherwise the situation was not materially different from that just described, except that more employees were required.

With the invention of the steam engine and its application to railroads, which quickly began to make their way over the face of the earth, with the development of the steamboat, replacing to so large an extent the old sailing vessels, and making possible the regular and frequent transportation of the products of the soil and of industry from one part of the world to another, and with the perfecting of the telegraph, cable, and telephone, there came the need for larger aggregations of capital in order to carry on the ever-expanding industries that were required to keep pace with this growth. This led to the development of the corporation, the capital for which was supplied in larger or smaller amounts by few or many individuals, thus making possible almost indefinite financial expansion. And this form of business has continued to grow, as commerce and industry have become not only national but international and world-wide in their extent, until we have to-day the United States Steel Corporation, with its hundreds of thousands of stockholders and employees. It stands to reason that corporations of such magnitude have necessarily become highly specialized.

The responsibility of an individual stockholder in a corporation is, of course, in proportion to his interest, but the function of the stockholders in general

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consists in casting their votes each year for the election of directors to represent their interests. The directors, in turn, are charged with the general responsibility of developing the policies of the corporation, some of which are matured by the officers, of selecting its officers, and of seeing to it that the corporation is properly managed. The officers as the executives of the company carry out the company's policies, and are charged with the actual operation of the company and the employment of labor.

As we contrast this gigantic organization with the simple form of industrial organization first described, it is at once apparent that, in the very nature of the case, the man who supplies the money seldom, if ever, comes in contact with the man who supplies the labor.

Here we note a marked and serious change. While deplorable, this situation is practically inevitable. Frequently the industry in which a stockholder has invested his capital is located in a far distant city. As a result of this lack of contact between labor and capital, the personal relationship has disappeared, and gradually a great gulf has grown up between the two, which is ever widening.

It is regrettably true that there are capitalists who regard labor as their legitimate prey, from whom they are justified in getting all they can for as little as may be. It is also true that on the part of labor there has been a growing feeling that it was justified in wresting everything possible from capital.

So these two great forces have come too often to think that their interests are antagonistic, and have worked against each other, each alone seeking to promote its own selfish ends. This has resulted in

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the strike, the lockout, and the various incidents of industrial warfare so regrettably common in this day, and apparently on the increase. The mistaken point of view in regard to the relation between labor and capital exists on the part of both labor and capital, as well as among the interested and the disinterested public. Too often capital regards labor merely as a commodity to be bought and sold, while labor not infrequently regards capital as money personified in the soulless corporation.

It might seem that, technically speaking, both of these definitions could be justified, but they are far from being comprehensive and adequate. For both labor and capital are men—men with muscle and men with money. Both are human beings, and the industrial problem is a great human problem. This is one of the first things we need to recognize, and it is just because human nature is involved in this problem that it is so intricate and difficult to solve.

The popular impression that, from the very nature of the case, labor and capital are two great contending forces arrayed against each other, each striving to gain the upper hand through force, each feeling that it must arm itself in order to secure from the other its rights and its just dues, is even more unfortunate than it is untrue.

I cannot believe that labor and capital are necessarily enemies. I cannot believe that the success of one must depend upon the failure or lack of success of the other. Far from being enemies, these two factors must necessarily be partners.

If, therefore, my first statement is true, namely, that labor and capital are partners, then certain

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things must follow. They must have contact. This standing aloof one from the other must end.

Partners know each other, they rub elbows, sit around the same table, come to understand each other's point of view. Respect grows in the heart of each for the other, confidence is developed, and they come to realize that they are working with a common interest for a common result. But this attitude, this relationship, is the personal relation in industry. It is the recognition of the brotherhood of man, of the principle of trying to put yourself in the other man's place, of endeavoring to see things from his point of view. The old saying that honesty is the best policy is often scoffed at and pronounced unpractical, but there never was a truer saying. Honesty is the best policy. .

You may be able to deceive a man once or twice, or, if he is exceptionally gullible, half a dozen times, but you cannot deceive him indefinitely. You may be able to deceive a number of people sometimes, but you cannot deceive all of the people with whom you have business dealings all the time. You may be able to make a contract which gives you an unfair advantage of the other man, but the chances are that you cannot do it twice.

Assuming, then, that the personal relation is a vital factor in successful industrial life, but recognizing the impossibility, in this day, of big business to reproduce it as it existed between employer and employee in the early days of industrial development, how can a like result be brought about, how can personal contact be established?

Granting that it is impossible for the stockholders of a great corporation, because of their num-

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ber, because of their geographic relations, to come into frequent or even semioccasional contact with their partners, the employees of a company, and that the situation is much the same with the directors, at least it is possible—and must be made increasingly so—for the leading representatives of the stockholders and directors, namely the officers of a corporation, to have such contact with the employees, special officers being appointed for that purpose alone, if necessary. Because of the vast numbers of employees in many a company, even this is difficult and altogether too infrequent today.

As the officers of our great corporations come to see more and more that the problem of understanding their employees and being understood by them is a vital problem, the most important with which the management is confronted, they will be convinced not only of the wisdom of devoting far more time to such contact, but of the desirability and the advantage to themselves, and to the employees as well as to the company, of such closer relation and intimate conference in regard to matters of common interest and concern.

If we look into our own experience, we find that the misunderstandings which we have had with other men have been largely the result of lack of contact. We have not seen eye to eye.

Men cannot sit around a table together for a few hours, or several days perhaps, and talk about matters of common interest, with points of view however diverse, with whatever of misunderstanding and distrust, without coming to see that, after all, there is much of good in the worst of us and not so

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much bad in most of us as the rest of us have sometimes assumed.

Shall we cling to the conception of industry as an institution, primarily of private interest, which enables certain individuals to accumulate wealth too often irrespective of the well-being, the health, and the happiness of those engaged in its production? Or shall we adopt the modern viewpoint and regard industry as being a form of social service quite as much as a revenue-producing process? The soundest industrial policy is that which has constantly in mind the welfare of employees as well as the making of profits, and which, when human considerations demand it, subordinates profit to welfare. Industrial relations are essentially human relations. It is, therefore, the duty of everyone intrusted with industrial leadership, to do all in his power to improve the conditions under which men work and live.

The days have passed when the conception of industry as chiefly a revenue-producing process can be maintained. To cling to such a conception is only to arouse antagonisms and to court trouble.

In the light of the present, every thoughtful man must concede that the purpose of industry is quite as much the advancement of social well-being as the accumulation of wealth. It remains none the less true, however, that to be successful, industry must not only serve the community and the workers adequately, but must also realize a just return on capital invested.

The parties to industry are four in number; they are: capital, management, labor, and the community.

Capital is represented by the stockholders and is usually regarded as embracing management.

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Management is, however, an entirely separate and distinct part of industry—its function is essentially administrative; it comprises the executive officers, who bring to industry technical skill and managerial experience. Labor consists of the employees.

Labor, like capital, is an investor in industry, but labor's contribution, unlike that of capital, is not detachable from the one who makes it, since it is the nature of physical effort and is a part of the worker's strength and life.

Here the list usually ends. The fourth party, namely, the community, whose interest is vital, and in the last analysis controlling, is too often ignored.

The community's right to representation in the control of industry and in the shaping of industrial policies is similar to that of the other parties. Were it not for the community's contribution, in maintaining law and order, in providing agencies of transportation and communication, in furnishing systems of money and credit, and in rendering other services—all involving continuous outlays—the operation of capital, management, and labor would be enormously hampered, if not rendered well-nigh impossible. The community, furthermore, is the consumer of the product of industry, and the money which it pays for the product reimburses capital for its advances, and ultimately provides the wages, salaries, and profits that are distributed among the other parties.

The recognition of the social aspect of industry is of vital importance to its successful operation.

JOHN G. LONSDALE

JOHN G. LONSDALE has made one of the most remarkable of all banking records. He became president of the National Bank of Commerce in St. Louis in June, 1915.

He was born at Memphis, Tenn., educated at St. John's Military Academy, Manlius, N. Y., and at a business college at Baltimore. He then went into the real-estate business at Hot Springs, Ark., and somewhat later established a bond and brokerage business under the name of J. G. Lonsdale & Co., with offices in New York and Hot Springs. In this connection he helped to build or reorganize several railroads and in 1902 became a partner in the banking house of Logan & Bryan in New York, from which he resigned to become president of his present bank.

He is a director of the Foreign Banking Association of New York, of the St. Louis Chamber of Commerce, of the Missouri Pacific Railroad, of the St. Louis & Northwestern Railroad, and of the Terminal Railroad Association of St. Louis.

He was born in 1872.

THE CASH VALUE OF COURTESY

JOHN G. LONSDALE

HAS courtesy a real cash value? Let's get the answer from a few bank depositors.

"Certainly, m'sieur," says Jacques, the head waiter, "I make these deposit now because of courtesy."

"I'll tell the world it has," replies Jack Jones, the heavy-hitting outfielder, as he checks out twenty-five dollars to pay a fine Mr. Umpire had assessed when Jack waxed slightly *discourteous* after a certain decision.

Yes, suh, courtesy she does pay. Look at mah bank balance, eight hundred and fo'teen dollars"—this from Jim, the Pullman porter.

"Without question, sir. And, by the way, when you are altogether at leisure, may I not show you our company's new accident policy?" No explanation required. You know this man. He's always on the job—always courteous.

"Indeed it has. Courtesy filled this dime bank," answers Marie, the hat-check girl.

"Courtesy has a distinct cash value. The difference between the seventy-five-dollar-a-week salesman and the fifteen-a-week clerk is principally a difference in ability to please people by courtesy and thoughtfulness." This is the testimony of Mr. Brown, the department-store manager.

THE CASH VALUE OF COURTESY

"Courtesy brings patients who have cash"—Dr. Smith speaking. In the sick room he is the cheeriest, most thoughtful man you can imagine. It is almost a pleasure to be sick when he is the attending physician.

"Yes, discourtesy means bankruptcy"—the sad reply which could be made by more than one president of defunct public-utility corporations.

And so it goes. And so it will continue to go as long as acquiring cash is so largely a matter of pleasing and convincing human beings. Business, in its every phase, is an appeal to human nature. Business is service. Each institution of whatsoever kind is trying to convince the public that its service is best. It is unbelievable that one should be trying to serve you, should be trying to learn your viewpoint and desires—and be discourteous while he is doing it. Real service *must be* courteous service.

And the bigger the job of the man, the bigger is his need for unfailing courtesy. It is barely conceivable that a man might occupy such a *small* niche in the world that courtesy would avail him nothing of material value, but it is absolutely inconceivable that a man should fill such a *large* place in the world as to obviate the business necessity of exercising consideration for the susceptibilities of others. No executive head of any corporation need imagine that he can have a courteous force under him while he, himself, is the antithesis of courteousness. Institutional courtesy always starts at the top.

True courtesy is more than mere compliance with the rules of etiquette. A man might know and apply all the prescribed regulations as to sitting and rising and smiling and handshaking, and still be discourte-

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ous in the eyes of discerning persons. Excessive dignity, for example, never pleases. Dignity, the word, like dignity, the idea, is well supplied with "I's," but wholly lacking in "U's." True business courtesy implies the desire and ability to get the other person's viewpoint and really to serve that person. The truly courteous man, in every instance of business service is asking himself: "How can this person's wishes be complied with by me or by the institution I represent?" The superficially courteous man is thinking: "What shall I do and say to make my manners appear impressive?" The difference between the attitude which seeks to *serve* and that which seeks to *impress* is as the difference between a bit of plate glass and the famed Kohinoor diamond.

To prove the cash value of courtesy, many writers deem it necessary to cite instances of extraordinary rewards for specific acts. This is not convincing, because people as a rule are not sufficiently optimistic to rearrange their daily conduct with such improbable good fortune as the sole reward in view. Nor is this kind of proof necessary. Every person who does any thinking whatsoever must know that the market for his services is a human market, and therefore susceptible to the appeal of courtesy. In the balance sheets of corporations which sell widely advertised articles, we often see good will listed as an asset at a very substantial figure. That represents the value of favorable market opinion. Under the same plan of valuation, a person, whether banker, lawyer, or clerk, might list "Favorable Opinion of Others" as one of his chief dividend-paying assets, with a footnote to the effect that such asset was created principally by courtesy.

THE CASH VALUE OF COURTESY

It is well for every person to realize the somewhat cynical-sounding truth that one's rise to worldly position is directly attributable to the good opinion of others, and only indirectly to real merit. This statement, when analyzed, is not so cynical after all, for it is difficult to acquire and permanently hold the high opinion of others except through personal merit. But the idea, when fully grasped, disabuses our minds of the belief that through ability alone we can force our way to the heights.

Banking is a business in which uniform courtesy is of paramount importance. Service is a bank's stock in trade, and practically all banking transactions are concerned with credit, that subject on which every person is "touchy." An official, in declining a loan, sometimes unmeaningly casts a slur on a person's intelligence by offering an explanation which the patron knows is an excuse rather than the real reason. This is a form of contempt, and a man will remember contempt long after he has forgotten a deep wrong. A teller can hand out money in such a way as to affront patrons—and the teller's manner may be merely the result of hurry. To remind a man of favors done in the past is another form of unintentional discourtesy sometimes practiced by bankers. Human nature rebels against such reminders from anyone. These are only a few of the impressions that bankers must guard against giving. There are others. Bankers must be ever on the alert to please patrons by word and deed.

It is all wrong to say that politeness costs nothing. Perhaps this statement is true when things are running smoothly; but when matters are going all awry, politeness costs much effort of will; and some-

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times it costs real money, as, for instance, when a man, to lock his tongue in, grits his teeth so hard that he breaks off expensive bridge work.

In no phase of business is the cash value of courtesy more evident than in the relationship between employer and employee. Employees are of the same human type as employers, and that system which denies to employees the right to make suggestions and state grievances in man-to-man fashion cannot prove successful in the long run. This rankly discourteous system is a form of business folly that has already cost the nation untold millions.

Courtesy has a cash value; there's no questioning that. But suppose it did not have. Would there be the less reason for being courteous in business? Business is not merely something which enables us to live. It is a part of life itself. We are under just as great moral obligation to be polite in business hours as in those hours spent otherwise. A man has neither the right nor the power to be a gentleman at home and a wild man in his office.



SAMUEL M. FELTON

SAMUEL M. FELTON

SAMUEL FELTON was never a poor boy, his father having been president of a railway and later president of a large steel company, but notwithstanding this fact Mr. Felton himself began at the very bottom, and it was one of his principles that, although a young man should undoubtedly get all the advantage possible from his father's position, he should never depend on a parent's influence for advancement.

Carrying out this thought and having picked a railway career for himself at fifteen, he first served as a rodman through his summer vacation, then spent two years in the Pennsylvania Military Academy, taking the engineering course, then a year in the field on railroad location in Massachusetts; from there to the Massachusetts Institute of Technology, and upon graduation entered active service as an engineer in 1873. He then spent eight years with the Pennsylvania Railroad and from that time to the present engaged in railway operation east of the Missouri river, in New England, in the South, and in Mexico. At the present time he is president of the Chicago Great Western Railroad.

During the war he was appointed director general of Military Railways directing operations both in the United States and France, and was the man behind the enormous railway development required by the A. E. F. in France. For his war work he received

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decorations from both the United States and the French Governments.

Mr. Felton has taken a deep interest in the matter of the education of the young man to the end that the maximum results may be had in the minimum time and that the deplorable lost motion in technical education may be, if not eliminated, at least minimized. He believes that practical work should accompany the technical training.

He was born in 1853.

THE CHOICE OF A VOCATION

SAMUEL M. FELTON

WHAT shall I do? How shall I start? And, once in, how can I best make my way? Nearly everyone has to ask himself these questions at some time during his life. As a youngster, he is more likely to ask himself only the first two rather than all three, and all too frequently a man in later life asks himself regretfully a paraphrase of the third question—that is, what should I have done to succeed?

A very considerable measure of success is to be attributed to an early choice of vocation. A boy of fifteen who knows what he is going to do and has already started to do it, has an immense advantage over the one who dawdles about until he is twenty-five or thirty without having made a definite plan for himself and then discovers that he is too late, or has too many responsibilities to do what he wishes he had done.

I have been in close contact with many thousands of men in my life, as employer and as employed, and I think that most of the failures are merely the result of a wrong start—the result of failing to sit down and take stock in the formative period of youth. The boy, or for that matter the girl, who imagines that the years from fifteen to twenty-five may be spent in having a good time is sadly mistaken. They really will not have any better time

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than those who apply themselves early to a definite object, but they will surely totally unfit themselves for any career whatsoever. No kind of a career can be made without thought, and it is never too early to think.

First take the choice of vocation, and here I have one general rule—follow your father, if he has an established business of his own and is a successful man. If the father happens to have a business that is well-founded and respectable, the bright boy going in with him should be able to make it a large business. If the business is already large, then the bright boy can make it larger. In either case the opening is there for him and only a well-founded and deep-seated repugnance to that particular business should lead anyone away from it.

But to this there is one very great exception, and that is where the father is an officer in a corporation. If the father also happens to be a very large stockholder in the corporation so that its affairs are practically his own personal affairs, then the case is on a footing with the individual or partnership enterprise. But it often happens that the officer of a good-sized corporation owns only a small amount of the stock, and in such a case it is unfair both to the boy and to the father to have the son enter that business. I have no patience with taking a boy into a business under such circumstances.

In the first place, the father will be criticized and his power in the corporation will be lessened, because those around him will have a doubt of his fairness—they will hold that he is being influenced by favoritism. But from the standpoint of the son the situation is even worse, for no matter how intelligent or

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hard-working the boy may be, and no matter how deserving his promotions may be, those promotions will never be ascribed to other than rank favoritism. It takes a very remarkable young man to follow his father into a large corporation and make the clean kind of success that one likes to make. It is not impossible, but it is something more than unlikely.

I do think that, where the father is the head of a corporation, the boy would do best to enter the same line, but with another corporation, and thus be able to gain the benefit of his father's experience and counsel while avoiding the imputation that it is pull and not ability which gets him along.

Take my own case. My father for many years was a railroad president. He left railroading while I was still at school and became president of a steel company. I could have gone into that steel company, but instead I chose railroading and never, at any time, have I worked with a corporation in which my father had any direct control.

But if, as so often happens, the direct course of following in one's father's footsteps is not open, then a choice has to be made, and I think then the proper decision is to follow that line which seems to hold the greatest interest. I do not believe in any of the various theories that the color and texture of the epidermis determine a career. I am not prepared to say that they are nonsense, but I am prepared to say that I personally will have nothing of them. I would not care to be put to the study of the shape of my nose or the color of my hair to find out what I was going to do in life! I prefer to stick to the probably old-fashioned notion that

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one can always do best what one best likes to do—although I grant that many of the tastes formed before reaching the age of twenty years are by no means permanent tastes. But the young man who is searching for what to do, rather than for what not to do, will have little difficulty in determining at an early enough age the career that he is going to follow.

Some very striking successes have been achieved by men who did not get started until quite late in life, but these are exceptions rather than the rule and will commonly be found in the business which is founded on a single invention or upon a new idea. Thus John H. Patterson was about forty when he organized the National Cash Register Company, but that was the capitalization of an idea; many of the men who have made large successes in the manufacture of automobiles did not enter automobile making until middle life, but that was because there were no automobiles when they were young. The men who made a success in the basic industries—such men as Schwab, Charles A. Stone, H. C. Frick, James J. Hill, and John D. Rockefeller, all began early and I think without exception they followed their tastes. For instance, Samuel M. Vaclain, president of the Baldwin Locomotive Works, entered as an apprentice in the railroad shops at Altoona, and he has been building locomotives ever since.

The thing is to get started right and get started early, and if a profession is chosen, if possible, every effort should be made to get a college education. The professional man has great difficulty in getting anywhere without the fundamental technical edu-

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cation which any well-organized collegiate institution will give.

It may often happen that a young man may enter college without a definite purpose. He may not have been able to form his mind. If so, I think he should acquire that purpose during the first two years. It is infinitely better if he already has a purpose when he enters.

Turning to my own case again, I think I was about ten when I decided to be a railroad man. I went with my father on his railroad trips, and before I was fifteen I had really quite a lot of practical experience. Then I was big enough to spend my summers out in the field with engineering parties and the like, working hard, but at the same time having a great deal more fun than I could possibly have had at any summer resort. At fifteen I was a rodman on the Chester Creek Railroad, but this was only my summer amusement. If I had wanted to leave school, I doubt if my father would have permitted it—but I did not want to. I merely spent all my summers in practical railroad work and then finally graduated at the Massachusetts Institute of Technology with so much practical experience in hand that I was able to enter the third instead of the first year. I had already been in charge of surveys. When I graduated I had sufficient knowledge to accept a position as chief engineer of the Chester and Delaware River Railroad, which was a small line; but the real point is that I had taken the preliminary work of starting at the bottom before entering college and therefore was able to hold a real job immediately upon graduation instead of having to wait for several years to go

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through my apprenticeship in actual railroad management.

For if a man is to make a success in any line, he must know all about it. If he is a railroad engineer, there should be no design or construction with which he is not familiar by actual experience, for, and this is to be borne in mind, one is successful only through his ability to manage other men—and men are much easier to handle when they know that the manager has passed through and made a success of the kind of work that they are themselves doing.

And because we so largely work with men, the cultivation of a personality is of a primary importance. One must know how to get on with his fellows to have them respect him as a person, not only of ability but of humanity. The frigidly cold, unhuman executive will seldom command loyalty and really has a considerably harder time than if he treated with his people on a level basis.

The beginner has to cultivate a personality that is pleasing to those above him, otherwise he will never get into a position to have anyone below him. He will never have a chance to demonstrate the merits of his personality unless he, in some way, attracts attention to himself. I do not mean that everyone should be pushing or forward—for that sort of thing does not attract, it repels. But I do know that it is of very high importance to have some quality which distinguishes one from the mass. Sometimes this comes through opportunity. I had several such opportunities very early in life. For instance, when I was the general superintendent of the old Pan Handle, a big double-track bridge just outside of Pittsburgh burned down about midnight. By six

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o'clock in the morning we had the men at work sawing timbers, and, when the chief engineer arrived in the afternoon to take charge, he wired back to the general manager that I had attended to everything and he was returning by the first train. I did not realize it at the time, but this incident made a mark for me with my superiors. Again in 1877, during the riots at Pittsburgh, the mobs were destroying all the cars in the yards. We had a lot of cars filled with valuable freight. We secured some locomotives and ran the cars into a double-track tunnel, and then I organized my friends into a guard to protect the tunnel. We protected it. And, though again I did not realize it, I had made another mark.

These opportunities always do turn up, but sometimes they are long in the coming. But there is no end of ways in which notice may be attracted to one's self. The ability to tell a good story will create a favorable impression, so also will a good voice or an ability to handle some musical instrument, so too will a talent for dramatics—in fact almost everyone has something which can be developed to what might be called the attention point and then, too, perfectly legitimate ruses may be resorted to.

One of the best of these was told to me of an acquaintance, who is now a high executive in a large corporation. He entered the service as a clerk and sat in a room with hundreds of other clerks. His desk happened to be on the aisle down which the president passed every day. This boy, cudgeling his brains for some way to attract attention, conceived the idea of wearing a hideously brilliant red vest. The very first morning that he wore

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it, he received a summons to the president's office a few moments after that dignitary had arrived. The vest was one that no one could easily forget and the president immediately asked why he was wearing such a color. The boy with a smile answered:

"Just to let you know that I was working here."

Of course that boy got on, for he had the goods to deliver and I might say right here that none of these ruses are worth while unless behind them is the real stuff. It is perfectly possible and legitimate to use something which might almost be called a bluff to attract attention, but there the bluff must stop. Although some men seem to get on through bluff, precious few of them really do so. Merit and nothing else succeeds.

A man is chosen for advancement because of the impression he makes upon his superiors. He may not learn the qualities that make for advancement until he has himself come into an executive position, but the qualities that I have found most desirable—those that I look for—are:

1. Honesty.
2. Accuracy in work.
3. Personality.
4. Industry.
5. Knowledge of the task in hand.
6. Cheerfulness.

I am not attempting to give these in the order of their importance. In a way they may be considered equally important, but the particular task in hand, the particular job which is ahead, more or less give the proper score numbers to various qualities; none of them are unnecessary.

One should be able to take for granted that honesty is fundamental and that everybody so recognizes. But unfortunately we cannot take that for

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granted. It is emphasized in an abstract way that the boy who succeeds must begin honest and must remain honest through his whole life. But it is easy to deviate from the path. It is very easy for him to accept commissions on transactions that he makes on behalf of his employer, to do things that are essentially wrong, and to do them because of a delusion that they will not, in the end, be found out.

To betray trust is a large expression and often it is not realized that it is the petty betrayals of trust which go to make up the big ones. Thirty or forty years ago people in responsible positions at times accepted commissions from those from whom they purchased. If I had such a man in my employ, I should discharge him at once. I am glad to say that these practices are not now so common, that people are becoming more and more honest every day, but still it is not a topic which we can stop talking about.

Take accuracy. The prevailing spirit of getting by is the direct antithesis of accuracy. No one ever really "gets by," for the superior officer of that sort of a man is usually only keeping him until he can fill his position with some one else. I cannot understand why the "getting-by" attitude should persist. The misspelling of a name, the misdirecting of a letter, the misquotation of a figure—any one of these things may easily cause a loss far in excess of the man's salary. Every employer knows this and it is a marvelous boon to him to have anyone near at hand upon whose statement of fact he can absolutely rely. And being accurate is really something in the way of a habit, just as being truthful is a habit. The consequences of inaccuracy alone involve so many explanations and so much trouble

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that in the end the man would have saved himself time and energy by getting the right thing.

If a subordinate is accurate, it is perfectly natural to want to promote him; and if he is inaccurate, it is quite as natural never to promote him. I know that there are a few executives in the country who are notably inaccurate, but it will be found that these men are possessed of such remarkable development in other directions as to overcome the enormous handicap of inaccuracy.

Industry is closely akin to accuracy. The really industrious man is apt to be a saver of time and recognizes the wasted effort that inaccuracy entails. There is no such thing as working too much, or giving too much for your money. Anyone who is notably afraid of overexerting himself will hardly be able to persuade others to work for him. People pattern themselves on their bosses, and the lazy head means a lazy force.

With industry comes knowledge. I am not a believer in a man attempting to know everything, but that which he does know should be accurate and basic. No one should be afraid to say that he does not know. No fair-minded employer will hold a man responsible for the lack of specific facts, provided they are not facts which in the ordinary course the man should know. The real trouble is in having some one say that he does know, when as a matter of fact he does not—in attempting to camouflage ignorance.

And withal should be present a certain cheerfulness. Nothing is more depressing than having a funereal-looking and acting person on the premises. Solemnity is not to be confused with efficiency.

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Now to all of these qualities must be added one more for any large success—a certain alertness of mind which views every action in the way of discovering a better method. Only one suggestion out of twenty may be worth adopting or perhaps one in a hundred, but if the suggestions show thought and interest, they stamp the maker as worth while. Suggestions are among the surest rungs to success. Success is built on ideas. Without this mental alertness a man may very well have many good qualities and not succeed. He may be the type of man in whom one reposes the utmost confidence for the routine of the day, the sort of man one never, under any circumstances, discharges, but also never, under any circumstances, promotes to any high position.

The static man is useful, but he never gets far.

CHRISTIAN GIRL

BORN on a farm near Elkhart, Ind.; successively a preacher, a water carrier, a street sweeper, a milk-wagon driver, and a postman, now president of the Standard Parts Company of Cleveland, Ohio—the career of Christian Girl is one of the most remarkable among the many of note in this country.

His parents owned a small farm just sufficiently thriving to give them a living with hard work. They intended that their son should become a minister of the gospel, and for that he prepared himself by working his way through school, but then his health, which was delicate, failed him, and he was forced to find some occupation. He went to Cleveland and there engaged in various menial tasks to keep body and soul together, but always with the thought that they were but stepping-stones on the way forward. His first success was as a milk driver, and while acting as a driver he prepared himself for and successfully passed the examination for postman. When he secured the appointment his former boss offered to take him into partnership if he would stay on. However, he refused. He tells in his article how, keeping his eyes open as a postman, he thought that he discovered the best avenues of success.

He was born in 1876.

FIGHTING FROM THE BOTTOM TO THE TOP

CHRISTIAN GIRL

I HAVE held public offices—but they have differed in importance. I once, for a few days, held the office of street sweeper in the city of Cleveland, and later entered the Government service as a letter carrier, also on the streets of Cleveland. And finally, during the war, I went to Washington to superintend the construction of motor trucks for the War Department!

As will be imagined, several things happened in the years between my first and my last Governmental services, and among them was the rise from the honorable, although not lucrative, job of serving letters, to the presidency of a \$25,000,000 corporation which I had built myself. The ascension was not an easy one; if there was any difficulty which I did not meet, I should like to know it. If there remains any corner of business which I have not turned, it must indeed be an obscure one. No one could have begun with fewer advantages, and perhaps for this very reason my journey up may help some one who has not yet started on a journey or who has stopped baffled on the way.

The difference between big business and little business is largely one of vision. The bars to success are commonly self-made. A successful merchant of my acquaintance thus phrased it:

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“The man who sets definite limitations on himself and on his business will probably fall short of even those, but the big man decides that he can do anything and fixes limits only as stages in his career.”

I was born on an Indiana farm, and there I learned many lessons. The first was not to let the magnitude of any task oppress me. My father taught me that in a graphic way. He took me out to a large field of potatoes and told me to hoe it. It seemed to be too much of a job. The longer I looked at it, the bigger it grew. And then my father suggested that if I but looked at one hill at a time and did that one without regard to the others, the task might not seem so big. That is a big thought. It will help anyone who fears a task just to divide it—to divide and conquer.

About this same time—I think I was only nine—my father gave me a horse and wagon to peddle garden truck in a near-by city. People asked me questions about my goods and I knew only the truth to answer; they seemed glad to have me tell them the real facts, and I was surprised to learn that often people had not told them the full facts about offerings. I had driven into me that only the truth pays. Previously I had told the truth simply because it was right. Now I learned that it was not only right, but, morals aside, was absolutely the course to follow in commerce.

I was ordained as a Methodist minister before I was 21 years old. Then my health began to give out and with it my eyes; I was told that I must stay out-of-doors, and I went to Cleveland for a job. I knew horses, and little else; my first place was as a coachman and I did various odd jobs, including a turn as a street sweeper, until finally I became driver for a

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wholesale milk house. For more than a year I delivered milk; it was not a brain-disturbing undertaking, but I think that I did it well; I know that never once were my deliveries late and that the route doubled its customers. I worked daily from half-past five in the morning until six at night, and since I lived some distance away from the stable, I had to leave home at four in the morning. Sundays were a little easier, because I stopped at three in the afternoon. Delivering milk was scarcely a career—I had consuming ambitions.

But out of this varied experience I got another great lesson—that of humility. For I had come out of high school thinking pretty well of myself. I had stood well in my studies and was known as a bright boy. And it was a shock to find that the world had but little use for what I thought were talents and would take me at only the most humble tasks. It was a shock that did me good; it helps a man to be put down once in a while and fortunately it did not hurt my ambitions.

An advertisement of an examination for letter carriers gave me a view of a better opening. I studied hard—mostly on the cars to and from work—passed the examination and was appointed. The boss of the milk wagon offered me a partnership, if I would stay with him, but I felt that the Government service had the better prospect of a steady job.

I became a postman with the deliberate idea that the place would not only support me, but would give me time for study and for looking around for a real opportunity.

My mail route shifted to the district of Cleveland in which most of the big iron and steel companies

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had their offices. I saw that theirs was big business—fundamental, that it had no limitations, a field with a full 100 per cent outlet for ambition. That was one of the requisites for my future job. I decided that whatever I did would be in iron or steel. Such was Decision Number One.

Decision Number Two came quickly thereafter—before I had even begun to fear that the mail service might be a life imprisonment. The automobile was then just coming into general use, but it was looked upon merely as a rich man's toy. To me it was the great new method of transportation; I did not doubt that it was the coming industry, for it filled a universal need and was bound to develop into a large factor of everyday life. Having this conviction—which remains with me—I made Decision Number Two; that I would work in iron or steel entering into the composition of an automobile. Thereafter I narrowed my search to iron or steel made up for the motor trade. I knew the elements of my future.

Automobiles were not then easy riding. The foreign cars had good springs, but the American spring makers refused to believe that the automobile had come to stay and they would not change from the old type of carriage spring they had been making for years. American springs brought less than seven cents a pound, while the foreign sold for nearly fifty cents. An acquaintance introduced me to a skilled spring maker—Michael McIntyre—who had worked out a new kind of spring for automobiles. McIntyre knew springs as few men have ever known them; he was an expert mechanic and besides he had caught the theory of the spring and could design equipment for any kind of vehicle.

FIGHTING FROM BOTTOM TO TOP

The first step toward big business is to find that in which you have unlimited, unwavering faith. Big business is built on supreme confidence in the future—a confidence which cannot be shaken either by hard knocks or by criticism, however adverse.

I resigned from the postal service and incorporated a company with \$100 which I had in hand. McIntyre had no money at all. For working capital I borrowed on my life insurance, and my sister and I sold for \$1,200 the house that we lived in. We made no provisions for failure. I also sold a few shares of stock to fellow postmen and to garage owners. We had no "backer," no rich man in any way connected with us, and we knew of no method to raise money other than by personal solicitation; for, of course, we had no record to which to point and nothing but an idea to capitalize.

Financially we lived a precarious existence; although our pay roll seldom ran above \$50 a week, we had trouble in meeting even that. During the first year I drew a nominal salary of \$1,500, but allowed \$1,146 to stand for stock, and lived on \$354. The company had a tiny bank account, and frequently when pay day came around it was necessary to give checks with instructions to have them cashed at the grocer or anywhere so they would be held out of bank until more collections could be made by our financial department.

During the first year I managed to bring the assets of the company from nothing to \$2,000—by stock subscriptions and putting back earnings. We did a gross business of about \$3,000—nearly all repair or job work; we could not gain the ears of the busy automobile makers. We had to convince the

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automobile makers! There we got our first "big" order—ten springs, to the value, as I now recall, of about \$200.

We were too glad to have the big order to think of investigating the credit of the purchaser. We convinced a steel merchant that he could safely trust us with material, and then we proudly made the ten springs and delivered them exactly on the date promised. The automobile man was pleased, both with the quality and the delivery, and took them gladly. Then he went into bankruptcy, and I think that eventually we got but a few cents for our work.

Thereafter our troubles were never with the securing of orders, but only with filling those which poured in on us in a constantly increasing stream. Our need for money was no less desperate, because we refused to stay as quiet little spring makers doing a steady business. I insisted upon building large and for the future. I quickly learned the lesson that I must spend money to make money. Everyone agrees with that principle in the abstract, but how many follow it? Will you chance all that you have to make an improvement which you think will increase your capacity? I say "think," for one never can know with absolute certainty that an expenditure will bring an adequate return to his treasury.

In the building of a business, the very word "building" should indicate something constructive and substantial. In the building of a good business, only that style of architecture and that kind of material and quality of workmanship should be incorporated that will endure. If I were to write the specifications of a good business structure, I would

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say: avoid those forms of monopolies that are not based upon good morals in business.

There are several kinds of business monopolies:

First, *patents* which may or may not be constructive; good, if properly used to protect development and extend the use of products for mankind; bad, if they tend to limit and hinder full development.

Second, the monopoly of *organization* that depends for its strength on political ramifications or the arrogance of size. This form of monopoly is always subject to the bomb thrower.

Third, the monopoly of *financial bulk*. This is always in danger of the attack of extravagant systems and loose-cost methods, and sometimes leads to a false security.

The fourth monopoly, that of *good morals* in business, finds its strength in the amount of good it can do, and it is self-perpetuating.

Good morals in business will always begin with the man who represents the business, no matter what his capacity, and the corner stone is integrity. If he is less than square himself, he will not be square in business. If his business involves the practice of camouflage, he is not building a good business. There are times when it may not be wise to tell all the truth, but only because the man to whom you are talking is not able to stand all the truth and correctly interpret it. If, in the final analysis, you are ashamed to tell everything to a man who can interpret it, you may be assured your business is not honest. That which any board of directors does that the world could not be permitted to know is not wise. We may have a forward evolution in business only when we base it on everyday honesty. And I have

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consciously borne this in mind in considering qualifications of those who have been or might become associated with me in our business as it originally was, and as it is to-day—this quality of everyday honesty and integrity.

And I should say that the second qualification I have looked for is industry—the ambition and willingness which go to work whole-heartedly. I do not mean that a man should work unceasingly, for relaxation is proper and necessary. Yet too much of it may be wholly undesirable, if not, in fact, altogether bad—which it sometimes is. No one thing so much contributes to a man's happiness as the respect of those around him. This the man who by habit or indifference falls into ways of idleness or indolence cannot hope to have.

The third qualification I would look for in men is intelligence. I have always looked for this kind. Too frequently this quality is placed first or men are employed primarily for the reason that they can "put it over." If that be his chief recommendation, I do not like that type of man, and I do not value such intelligence. I would not want any man to do for this company or this business anything which would detract from, or in any sense impair, his integrity and manhood. Any such thing is of itself basically wrong, and from any standpoint it is not good business.

No matter what the business, it will not get anywhere, except backward, if it fails to comprise plain business integrity. If it is right, business need never fear the spotlight on its methods and practices; but look out for that company where there prevails a "slip-it-over" policy. Building a business

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on any secure ground cannot be the work of a day, and no business will be better than its representatives. Coming again, however, to the characteristics I would wish to see in men—integrity, industry, and intelligence—I shall add a fourth. It is the ability to make people like you—a cheerful way, a pleasant countenance. You cannot down an honest man of intelligence and basic sense, and in these he has the foundations within himself to be happy and therefore pleasant, and his sound sense answers for his self-control.

This makes of him a useful man, and, because he is optimistic, gives him the willingness and ability to interpret—even anticipate—the wants of customers, and to do the thing to make them happy. This is called the creation of good will. It is invaluable. Sometimes it is capitalized, and it may be well worth capitalizing. It is a sort, and the right sort, of monopoly.

We have been told that there are three ways to get wealth. It may be derived from theft, inheritance, or by earning it. Of these, the third way is the best, and wealth so acquired is rightfully yours. Just so a monopoly of business built upon good will and service to mankind is rightfully yours.

The sort of monopoly which a company must have is an honest, industrious, and intelligent organization, dedicated to usefulness and service. If a company or business does not serve the public, it has no right to exist; its whole operation, its existence, is basically wrong. Its foundation is laid upon sand. The company which serves and whose morals are sound is built upon the solid rock.

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Just a few years ago, when it became necessary to double our output, I was told that skilled spring makers could not be had. Instead of recognizing a barrier in labor, we tried out new machine operations and destroyed the relation between our production and the supply of spring makers; now we take any man who can swing a hammer and make a spring maker out of him.

To my mind an extension which will produce greater capacity is an absolute necessity and not a mere improvement. I have never yet been able to distance demand, and I do not think that I ever shall be, for the best way to get more orders is to have a constantly growing productive capacity. Therefore I hold to the maxim—"spend money to make money." And whenever there is a choice, always employ the biggest means at your command. If you can see \$1,000,000 in extra business to be gained by spending \$250,000, spend that amount rather than lay out, say, \$100,000 for \$200,000 in new orders. Do not stifle energy by saving money. A moment ago I was talking of a \$100 corporation and now I am speaking in hundreds of thousands—but our company changed its money nomenclature almost that quickly. Our sales doubled every year because we turned out a quality product based on correct manufacture. We held right goods, rightly made, above everything.

Faith in what you are doing and a desire to make money will not alone build a business; of course, we should not have gone into manufacturing had we not wanted money, but we were not greedy for money.

Greed is not a business foundation; the greedy man is too shortsighted—he will take out money from his

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business, he will skimp manufacturing quality for quantity, he will try to get the better of a customer; in short, he will look at the dollar instead of at the product.

The miser may succeed as a money lender, but he cannot go far as a manufacturer or a merchant; the shortness of view which creates the miser makes it impossible for him freely to spend money to earn money. A man may be exceedingly careful of his personal expenditures, but he cannot look at the dollar itself in business—only at what it will buy. Now and again a miser comes across a compelling idea that will not down—but it is not often. The miser is a rare bird in big business.

We knew no short cuts to success; we tried no smart tactics; we had no selling talks, nor any of the trimmings that sometimes go with business programs. Our sole aim was to deliver what and as we promised.

We designed our springs for the car that was to ride on them, and if we made a mistake we as quickly made our correction. I remember one of our first sets of springs was rumored to be unsatisfactory; McIntyre and I hunted up the car and found out just where we had erred. Then we went to the owner, told him that his springs were not working as they should and that we wanted to change them. He never had the opportunity to complain—we beat him to it.

Knowing exactly what is ahead reduces purchases to that which is actually needed, quickens the rate of turnover, and prevents the piling up of great, useless inventories.

Costs and planning enable one to finance with intelligence. They uncovered to me the greatest truth

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I ever learned—the nature of money and that it must be bought and paid for just as is any other commodity.

I had—and I think most people have the same idea—the notion that the cost of money was to be determined by the interest rates. I had sold stock and borrowed money with the discount uppermost in my mind; I grumbled when I paid high discounts and thought that I was being imposed upon. I was more or less suspicious of financial men—I held the popular idea, the fruit of the senseless propaganda that was current some years ago, that a capitalist was merely a vampire living on the blood of honest men.

I learned my lesson when I offered an issue of preferred stock; the bankers wanted to take it at a price and with a bonus of common stock. I figured out the offer in terms of interest and found it high.

Therefore I decided to sell the stock myself; I advertised in the newspapers and tried to interest the general public; I sold only enough shares to convince me that as a stock salesman I was a good spring maker. The improvements which were to be made out of that stock issue were delayed and we lost profits in many times the amount of the banker's possible commission.

Money is a business tool—and nothing more. Translate money into terms of what it will buy and you have the real rule for figuring its worth. If the investment of \$500,000 will make for you \$1,000,000, you can afford to pay out a good price to the man who furnished you with the money; he is entitled to a reasonable profit on the tool which he sells you for your use.

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I know that I cannot sell stocks or bonds; I am a manufacturer. The banker is not a manufacturer, but he can sell securities; his special knowledge and his connections are worth paying for. The question for the business man to ask himself is this: "How much can I make out of the new money?"

Having answered that question, he is able to determine what he can afford to pay for it. Judging the cost of capital by the authorized rates of interest on money is fatally wrong-headed. As in every manufacturing expenditure, one must look to the ultimate gain. If you are not reasonably certain what the money will do for you, you have not reached the point where you should negotiate for funds.

Probably the hardest lesson to learn in the transit from little to big business is that you are not personally indispensable—that others may be able to do certain tasks for you much better than you can do them for yourself.

Curiously enough, books did much to change my viewpoint, and especially reading the lives of two men—Napoleon and E. H. Harriman. I admired Napoleon's methods, and I thought that I saw in them one reason why he was so great a general—he could pick and handle men. He did not have to bother with details. The other great handler of men was the railroad builder; I have hanging in my office his own account of his accomplishments:

"I smoked and listened while the other fellows talked and told how successfully to build a trans-continental railroad. And it was done; I got credit for it, but, as a matter of fact, it was the men I employed who did it. That was what I hired them for, and that is successful business."

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Out of the lives of these two men I got the idea that I must steadily enlarge my capacity for employing men who could work without direction from me—that I would be successful by hiring good men rather than by becoming a wonderful worker myself. As the business increased and I found myself unable to attend to everything, I turned to the hiring of good men rather than to the perfection of operations on my own account. My thought was to divide my own job into many sections, and to find a man for each section who could devote all his time to it and look after that particular section better than I could.

I wanted to build up an organization which I might direct in a measure, but which would not depend upon me for ideas. No one man has ideas enough to keep a large organization going and, by the same token, the small organization which is full of men with ideas cannot, in the nature of things, long remain a small organization. The perfect organization will not be achieved if the head is afraid of being overshadowed, and, extending the same principle into the larger affairs of the business, the concern cannot hope to extend beyond a certain fixed point, if the fear is present of losing hold of either the stock or the brain control.

Most smaller men fear to take in others whose collective interests are so great that they can dominate the company. Many men remain in small affairs solely because they fear that some one may take away what they have gained for themselves.

I went through the process: I had the fear through several years that I might be taken from the helm before I had sustained my policies. I feared that those around me might become badly

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discouraged and refuse to continue—it even looked sometimes as though the question of whether or not we should be able to continue might be decided by outside forces over which we had no control. I mean our creditors. But as we got into quieter seas I gradually learned a great truth, which is that the normal American stockholder will not change the directing personnel as long as that direction is efficient. If you are the best director, you will stay; if you are not, then you should not care to stay.

Just as most men are honest and can safely be trusted as such until the contrary is proved, so the man who is directing a company need not fear opposition until the day arrives when he no longer is the man best fitted for the place. Efforts to retain control had better be diverted to increasing personal efficiency.

Going from little business to big business depends upon many factors which I have not touched upon; but those which I regard as tremendously important have all to do with destroying personal, physical, or mental limitations, and learning that other men and money must help you and that you must help them in turn.

The mere shifting of the personal horizon will not overnight transform the little man into the big man, but it will allow him to enter the field which has no boundaries.

ROBERT ALEXANDER LONG

R. A. LONG, born on a farm in Shelby County, Ky., and having lived the usual life of a farmer boy until he was twenty-three years old, then went to Kansas City to visit his uncle in the hope of finding opportunity to engage in business. His worldly possessions consisted of a few hundred dollars. He had the ordinary country-school education.

After about a year in Kansas City he engaged with two companions to buy hay at Columbus, Kas. They took with them some lumber to build sheds for the hay. But, unfortunately, the hay that they bought turned brown and instead of making a profit they were glad to be able to dispose of their stock at almost any price. Curiously enough it was the sale of the lumber that prevented the disaster from being worse than it was, and the people of Columbus, liking young Long's personality, asked him to come back and start a lumberyard. He had no money, but the bank which had loaned the associated the money for the hay venture were so impressed by the honesty and the perseverance shown in adversity that they volunteered to finance the new venture. Mr. Long, with an acquaintance named Bell, opened a little yard in Columbus wholly on borrowed money, and out of that grew the great Long-Bell Lumber Company of which Mr. Long is the president, and which is the greatest company of the Southwest. Mr. Long was born in 1850.

HOW TO KEEP CHECK ON LITTLE AND BIG BUSINESS

ROBERT ALEXANDER LONG

KEEPING a close check on one's business is not a form of penuriousness, but a matter of common honesty. Although we do not always realize it, almost every business uses as much, if not more, of other people's money than of its own. The business which does not require either mercantile or banking credit is very unusual, and is really not at all to be commended in spite of the numerous adages about keeping out of debt, for it is through the expert manipulation of credit that a business succeeds.

The receipt of credit involves the obligation of accurately accounting all that comes in and goes out, otherwise it is quite impossible to determine how much of the activity involves the proper use of credit, and how much involves the improper use. Going further, the keeping of a check on business does not at all connote, as might be inferred, the holding in of that business—it does not mean an absorbed attention to petty details or the refraining from, rather than the spending of, money. Instead it is a thorough noting of one's own affairs both in the larger and in detailed fashion, for one must, especially in a small business, be an absolute master of detail, as there is grave danger when the

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executive does not know the detail. It is the sum of details that goes to make up a business just as one hundred pennies make up a dollar, and, therefore, the right prevision inevitably involves a full grasping of detail. And here again we must have an explanation. As the detail grows with the growth of the business, the checking is necessarily confined to the headings of detail—to indicative groups. It passes from the thing itself to the figures which represent the thing. Unless we so control there will be many loose ends which may, in their aggregate, absorb all of that which we thought was going to be profit.

Let us start first with small business, because most of us begin in a small way. The accounts of the one-man business commonly consist merely of a roster of the cash that comes in and of the cash that goes out, and for the cash that goes out, in many cases, the only record may be found in the stubs of the check book. Indeed, the average man in business judges his prosperity solely by the amount that he has in the bank, as compared with the bills that he has to pay. This really gives no check at all on the business, for it does not tell one how much anything costs or where and how profits are made. The late P. D. Armour told a story of a butcher from whom he bought a large, fine roast of beef. He asked the price and the reply was "about a dollar." Returning that way some days later he thought he would buy another roast, but this time the roast was only about one-half the size of the former one, was tough, stringy, and in every way a bad piece of meat, but the price was again "about a dollar." If that man made money, it was

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solely by accident, for he lost money on the first roast, and he made it on the second. He would be a standing invitation for people to take advantage of him, and such a man would not know that he had failed until he had spent all of his money.

The same sort of thing is going on everywhere about us. The workman who starts in business for himself, and for a time has no employees at all, carries his accounting department around in his pocket—the whole department being included in a bunch of bills and a small check book. He has really no idea what his time is worth; if he has a shop, he does not know how to distribute the overhead expense, and he is just as apt to charge too little as too much for a job. He does not know what he is doing, and if he makes a bid for any particular work he may go either too high or too low. Many men fail on account of their ineptitude, but more, I think, fail because they will not go to the trouble to know the exact facts in every department of their business.

It is possible to know everything that one does; it is possible to compare every item of expenditure with a previous period in order to learn how what you are doing now compares with what you have previously done.

From the very beginning I have made a practice of knowing all and not guessing at the facts of my business. In the first little lumberyard which I had years ago in Columbus, Kas., although I was working outside from dawn until dark, I always made it my concern in the evening to bring the books up to date so that at the close of every day

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we knew exactly how we stood. It would not have been fair to have done otherwise—for we started that business almost wholly on borrowed money. We were, in a way, trustees of the money the bank had loaned to us, and, all business considerations aside, it would have been simply dishonest to have accounted for our growths in slipshod fashion.

As my business grew, the accounts, of course, got beyond me. I could not know every sale as the lumberyards multiplied, and as we added mills and timber operations and went into the numerous other lines which the expansion of business creates. But I think that my checking of the larger business is now even closer and more accurate than was the checking of that first little lumberyard, for now I am able to avail myself of the best accounting skill, and being quite unlearned in the ways of business when I began, of course, I knew nothing of what expert accounting might show. But at the same time, I have not left the whole matter to accountants, because I do not believe that one can truly understand figures and reports given to him unless also he intimately understands just how those figures are compiled.

I have each month for each division of the business a complete accounting system. There are thirty-two in all, and the reports for each division run from sixty to one hundred legal-cap pages. This would seem to be an enormous volume of accounting for any one man to go through with, but I find such full data necessary because I want each report to be so complete that if I were an entire stranger to that branch of the business and approaching it as a prospective purchaser I could,

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from these reports given me, estimate reasonably accurately just how much it was worth.

Each report first contains a statement of conditions with a summarized inventory. That shows me exactly where the division stands and what it has on hand. The statement of condition does not contain detail. I may want to know exactly how a certain figure is made up. To find out all about it, I have but to turn to the succeeding pages, and there I will find schedules in detail. The reports give me the total sales, the average price of the sales, the total amount of the accounts collected, the total accounts outstanding, and, in the case of the mills, I have a detailed statement of operation which gives the cost of each operation subdivided as minutely as is practical. With every item I have not only the figures for the current month and for the year to date, but also, for comparison, the figures for the corresponding period of the previous year, and in some cases for several years back. The big point in accounting is to have ready comparisons at hand. A figure abstractly does not mean much; it takes on a meaning when you compare it with something that has gone before, and then by percentages you can tell whether you are going forward or going back, and you can catch any possibility of disorder at its very inception. One does not want accounting in order to discover why he failed. He wants to use it constructively as he goes along to prevent failure and to bring success.

I have an elaborate cost analysis which divides the items at my mills, for instance, into one hundred and ninety divisions, such as cutting stumpage, hauling and loading, railroad expense, cost to pond,

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hauling to planer, planer operation, planer shipping, yard cost of green lumber per thousand, average drying, shipping expense, team hauling, tractor hauling, steam loading, and so on to the end that there is before me a record of efficiency which most strikingly gives not only every needed fact, but is in the nature of a complete examination—an examination in analogy to the most detailed medical examination of a human being.

An insurance company will not insure a man until it has ascertained his physical condition. I do not think that a business should ask other people to risk their money with it unless the executives of that business know at every moment its complete condition.

These accounts are invariably examined by me every month no matter where I may be, and on the results of them I plan the future progress. If the cost has risen, I want to know why; if sales have decreased, I want to know why; if a manager is competent, the record is the sure proof of his competency; if he is incompetent, the record is likewise proof. One can restrict guessing to a minimum. My system is a growth through the years. I did not take it ready-made from anywhere, and I could not properly do so because I need certain facts which another business might not need. Study will provide an exact method of determining all the facts of business in the most direct and suitable fashion, and, although close checking will not substitute for initiative and will not create business, it will create reputation which in turn will bring credit—and with reputation and credit assured it is very difficult not to succeed.

JOHN H. PATTERSON

THE name of John H. Patterson and that of the National Cash Register Company are inseparable. He is one of several men who have founded personal businesses and kept at the head continuously until the small business became a very large one. Unlike most men, his real business career, the career by which he is known to the world, did not begin until he was nearly forty.

It was in 1879 that a Dayton merchant invented a crude machine which he called a cash register. Its design then was to keep a check on the clerks. It contained a strip of paper and a certain number of keys. For each five cents' worth sold the clerk pressed a key which punched a hole in the strip. By the end of the day the proprietor, by adding up the holes, could determine the cash business. No one thought much of the idea but Mr. Patterson. He saw in it a great future.

Having graduated previously from Dartmouth College, and having served in the Civil War as a hundred-day man, he had gone into the wholesale coal business at which he was making a fair success though not one commensurate with his abilities. To the cash register he turned as to a great opportunity, but nobody else thought so highly of the invention as he did. Indeed, a few days after he had bought the patent right for \$1,000 he tried to sell it back to the inventor, who absolutely re-

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fused to have anything further to do with the affair, being convinced that he had made more than a good bargain. It was then that Mr. Patterson began to lay the foundation of the remarkable selling program on which the cash registers have been built. Practically every worth-while selling idea in the country to-day is founded on the ideas which Mr. Patterson first put into force.

He was born in Dayton and the present factory stands on the site of his father's farm, but although the main factory still remains in Dayton, there are other factories in several of the principal countries of the world, and there is not a single section of the whole world to which the cash register has not penetrated. Curiously enough, the name cash register is now a misnomer, for the highly developed scientific machine is to-day more of a mechanical book-keeper than a cash register, and it is the aim of the company eventually to make it a complete mechanical record doing by machine that which was formerly done by hand.

Mr. Patterson is still the active directing head of the company, and he could not have attained or maintained that position without a profound study of personal efficiency. He was born in 1844.

PERSONAL EFFICIENCY

JOHN H. PATTERSON

LOUIS CORNARO is, to my mind, the best example of what careful living will do for a life. He lived nearly four hundred years ago in Venice. At forty he was given up to die. The physicians had no hope for him, and then he started to order his own life. He reduced his daily ration of food to thirteen ounces, varying it, however, from time to time in accordance with what he conceived to be his physical necessity. He lived to be one hundred years old. In his book, "The Art of Living Long," in a portion written at the age of ninety-five, he says:

"I was born with a poor constitution, yet all those who are born delicate, like myself, would no doubt reach, in perfect health, the age of a hundred or more years, were they to embrace the temperate life as I have done.

"At ninety-five I find myself healthy, strong, contented, and happy.

"The food from which a man abstains after he has eaten heartily is of more benefit to him than that which he has eaten.

"I am firmly convinced that nothing rescued me from death but the orderly life."

Now, the purpose of life is not simply to avoid death. Unless we live to do something, it is hardly worth while living at all. But we cannot do our best without health, and I take it that doing all in our

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power to gain health and to keep it is as much a duty to ourselves and to the community as being honest. I know of no line of activity in which health is not a prerequisite, and we should not begin to talk of efficiency before we have gained what for the particular individual is the utmost of health. Good health is an inheritance with the fortunate few, but it is an acquisition of the many. Its basis is careful living. That is, therefore, also the basis of efficiency. I have found these four principles controlling:

Cheerfulness—I believe in a cheerful, smiling disposition. If you are a salesman it adds a very large per cent to the chances of making a sale. Therefore, be cheerful.

Confidence—Have confidence in yourself and confidence in your ability. But do not confuse this with overconfidence.

Health—I believe that this is one of the most important elements of success because unless one feels at his best he can hardly do his very best.

Faith—A belief that what you are doing is right—that you are performing a good service. No man can be efficient if he thinks that he is doing something wrong.

One might write a book on each of these points and on every phase of this subject, but since one has only to be reminded in order to recognize these truths I have found certain simple principles more efficacious than long expositions. The following I have used through years:

- “1. Make good resolutions intelligently, and record them.
2. Accumulate all circumstances which will reinforce your resolutions.

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3. Keep away from temptation.
4. Keep away from associates who discourage you.
5. Put yourself in conditions that encourage the new way.
6. Seize the first opportunity to act on resolutions you make.
7. Make engagements incompatible with the old way.
8. Never suffer an exception to occur until the new habit is securely rooted in your life.
9. Remember, until the new habit is fixed, each lapse makes it more difficult.
10. It is the keeping and not the making of good resolutions which affects the brain."

Resolutions are one thing—keeping them is quite another. I have found the best way to order one's life is to write out a "constitution" for the year. For this purpose I have small books bound up entitled, "My Monthly Constitution until . . ." On the cover is this:

"The Constitution of the United States is to protect the people of the United States against themselves. It was written and signed and was a good thing. What was good for all is good for the individual, hence I write and sign my constitution to protect me against myself."

Inside are these divisions: "Health" and "Family and Business Affairs," and under each a column with ten divisions on what to do and what not to do. I and most of my executives for years past have carried books of this kind and find them of the highest possible service. Here is a general direction on how and why to use the constitution:

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"At the beginning of the new year we naturally look forward, and yet how important it is to look back, if only we look back wisely. It would be wrong to make ourselves miserable by dwelling too much on the mistakes of the past. On the other hand, all our experience lies in the past, and it is from experience that we get the best lessons.

"So, before the new year comes, let us examine our record for the past twelve months, and ask ourselves questions such as these: Have I wasted my time; have I wasted my health, my opportunities, my money? Have I gotten into bad habits; have I been extravagant? The answers to these questions and many others with which one may supply oneself will make a fine foundation for the good resolutions for the coming year.

"We shall all make these resolutions in our minds, but how much better it will be if we talk them over with those who are nearest and dearest to us; and what a strong influence they will have on our lives if we write them down and make promise, each man with himself, each woman with herself, that these shall be our rule of conduct for the coming year.

"In this way we shall get happiness in our work and happiness in our homes."

Following these directions will give a summary of the mistakes not to repeat, and the mere writing of them down is, I think, the very best way to avoid repeating them. In our company we have the standing order: "Verbal orders don't go." And neither should they go with one's own health. You will obey a written order not to do something that will hurt your health where, without the order, you

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may do the thing before it occurs to you that you should not do it.

I have found all of these precepts useful:

"Men are inexcusable if they do not pursue that which their judgment tells them is the most laudable."—JOSEPH ADDISON.

"Most people will find that they can reduce their daily rations by one-third, sometimes one-half, without any inconvenience whatever."—DR. J. H. KELLOGG.

"Health and long life are usually blessings of the poor, not of the rich; . . . and, indeed, if a rich man does not, in many things, live like a poor man, he will certainly be the worse for his riches."—SIR WILLIAM TEMPLE.

"By chase our long-lived fathers earned their food; toil strung the nerves and purified the blood; but we, their sons, a pampered race of men, are dwindled down to three score years and ten."—JOHN DRYDEN.

"If a thing is possible and proper to man, deem it obtainable by thee."—MARCUS AURELIUS.

"Against diseases known, the strongest fence is the defensive virtue, abstinence."—BENJAMIN FRANKLIN.

"Persevere then until thou shalt have made these things thine own."—MARCUS AURELIUS.

"Health is . . . necessary to all the duties . . . of life . . . The crime of squandering it is equal to the folly. . . . He that for a short gratification brings . . . diseases upon himself condemns . . . his life to the chamber and the couch."—SAMUEL JOHNSON.

"He that avoideth not small faults, by little and little, falleth into greater."

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"The more thou knowest, and the better thou understandest, the more strictly thou shalt be judged."

"Public business comes to suffer by private infirmities. Counsels of a noble country grow bold or timorous according to the fits of his good or ill health that manages them."

"Wouldst thou enjoy a long life, a healthy body, and a vigorous mind, . . . bring thy appetite to reason."—BENJAMIN FRANKLIN.

"Thou wilt always rejoice in the evening if thou hast spent the day profitably."

"If any man can convince me and bring home to me that I do not think or act aright, gladly will I change."—MARCUS AURELIUS.

"Don't enjoy poor health."

"Better to hunt the fields for health unbought than fee the doctor for a nauseous draught. The wise for cure on exercise depend; God never made his work for man to mend."—JOHN DRYDEN.

"With dishes tortured from their native taste, and mad variety to spur beyond its wiser will the jaded appetite! Is this for pleasure? Learn a juster taste! And know that temperance is the true luxury."—JOHN ARMSTRONG.

And perhaps if you examine yourself on the following you will find some reason that applies to your own case:

"He fails:

1. Because he is hungry.
2. Because he has eaten too much.
3. Because he is bored with the company of a wife.
4. Because he is bored with the loneliness of bachelorhood.

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5. Because a damsel has refused to marry him.
6. Because a damsel has determined to marry him.
7. Because his socks are not darned.
8. Because he is forced to wear darned socks.
9. Because he has to stay up late at night.
10. Because he can't stay up late at night.
11. Because he has no money to spend.
12. Because he has spent too much money.
13. Because he has lost on a "sure tip" on the races.
14. Because he has not bet on a "sure tip" on the races.
15. Because he is misunderstood.
16. Because he is too well understood.
17. Because it is too hot.
18. Because it is too cold.
19. Because he is sought after.
20. Because he is neglected.
21. Because he cannot discover the cause of his trouble, where it comes from or where it goes, but while it lasts it devours all in sight.
22. Because he revolts against change.
23. Because he will not get knowledge, either from his personal experience or from the experience of others.
24. Because he has not learned that compensation is as sure as death and taxes.
25. Because he gets what he pays for.
26. Because he pays for what he gets.
27. Because he is unable to resist temptation.
28. Because he will not admit it himself.
29. Because he blames other people for his closing failures.
30. And just 'because.' "

C. LOUIS ALLEN

MR. ALLEN is president of the Allen Corporation, a sales organization, and was formerly president of the Pyrene Company. His story and rise are among the most dramatic anywhere to be found in the annals of American business and a large part of them are told in the article which follows.

The impressive point is that Mr. Allen started almost without education, taught himself to be a stenographer, and obtained a civil position with which many men would have been satisfied, but having obtained this position and having passed through the usual stages of good fellowship that seem to be inseparable from political activities, he suddenly made up his mind that he was wasting his time, and that he would prepare himself for a larger career. He then entirely through his own efforts worked his way through a law school, practiced law for a time, found that he did not want to be a lawyer, tried several other fields of activity, and then hit more or less accidentally upon salesmanship, in which he quickly found himself, and within two years was president of the company that he entered as a salesman.

He was born in Aberdeen, S. Dak., 1883.

THE STEPS IN GETTING AHEAD

C. LOUIS ALLEN

TO a large degree we measure business success with the money yardstick. Probably this is not the best way, for it neglects happiness values, and nothing can be called a success which does not include within it a certain degree of happiness. This holds true whether we are talking of success in business or success in life—which two varieties of success are by no means synonymous.

And a business cannot be said to be successful, nor can a man said to be successful in business unless money is made. Stripped of everything else, business is the art of directing a certain amount of money through a cycle and having it return to the starting point larger than when it began the trip. Unless this increment is added, the business cannot continue. The conduct of an enterprise may have many extraordinarily fine features; the individuals concerned may be uncommonly fine chaps, but unless they so contrive their affairs as to earn money, they must be considered as social rather than business successes.

It might seem that I am taking a grossly mercenary point of view—in fact I am not. I am merely endeavoring to distinguish the characteristics of that which exists and to avoid confusing the funda-

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mentals of business with its development. For instance, take the point of service. One does not have the opportunity to continue to remain in business unless he gives service, and yet, if one conceived business as solely a matter of giving service, without regard to any other factor, then one would be bound to fail. If you give service without regard to its cost, then you become a charitable and not a business institution. If you give service in order that you may have more business, then you are but keeping step with modern thought.

The measure of business success is money, but the moment that we try to chart the routes to success we find that there is no road leading to success which is labeled "money." The road labeled "money" starts at success. In other words, no man ever becomes successful in a larger way if his first and biggest thought concerns the making of money. Covetousness is not one of the divisions of ability.

The first step toward success is not the determination to make money. The first step is the determination to work hard, the second is to think hard, and the two are complementary; neither is of very much use without the other. The man with an inflexible determination to work hard and without the ability to think hard becomes, it is true, a willing beast of burden, but not a very valuable one, for his hard work may be in the wrong direction. I really cannot conceive of any person who is more dangerous to society than the willing, tireless worker who has not the remotest idea of what he is doing or where he is going. If you happen to be on hand to direct him, the results may be good as long as the directions are minute enough; but there is al-

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ways the haunting fear that this unflagging energy may for the moment escape supervision and then as painstakingly destroy as it has painstakingly built.

It is not difficult to work hard, but it is extremely difficult to think hard. You can work hard by a mere resolution. In the beginning you will not know how to think hard; but your capacity will increase with application. The mere resolution to think hard will get you nowhere. Thinking is a matter of long education and development. It has nothing to do with general knowledge or information—they are only tools and I do not know that it is possible for anyone exactly to put down what it is that hard thinking consists of. It has to do with visualizing your problem, preferably on paper, and then approaching it from every possible angle until, when you have finished, if you do not know the solution of the problem, you will at least know what your problem is. I can say right here that merely knowing what a problem is very often disposes of the solution, for you will probably discover what you thought was a problem was merely a confusion of thought. If the result of your analysis of any problem does not disclose the solution, you are at least in the position of knowing exactly what you want. It is really extraordinary how apparently impossible affairs work themselves out, if only a clear understanding be had in the first place. To repeat—the process of hard, constructive thought is extremely difficult. Only a very small fraction of the people ever really know that there is such a thing as thought. You will find men deciding in five minutes that they know all about a subject and these same

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men wonder why so many unexpected and unlucky accidents turn up in their lives. Nearly everything that happens is unexpected, yet if those same men had spent five, or fifty, or five hundred hours in thought, they would have saved five thousand hours of worry and adversity.

I never really thought or worked until I was about twenty. At seventeen I became the deputy clerk of the Federal Court at Sioux Falls, S. Dak., and at nineteen I passed to a similar position with the State Supreme Court at Pierre, S. Dak. I was a stenographer and I received forty dollars a month. I had a certain position in society, knew everyone, and generally regarded myself as rather clever in having landed a public job, which, although it did not pay very much, it is true, called for only a minimum of work. My chief duties were to hang around and swap stories with politicians. I was supposed to be and was in my office from eight until noon and from one until four, but it was a rare day on which all the work required could not easily have been compressed into a single hour of real labor. My money was just about enough for me, and of course I never had anything over.

That I was not getting anywhere, that I might at fifty be holding down exactly the same job at exactly the same salary, did not concern me because I did not look so far ahead. No one can look very far ahead. At twenty you cannot decide what you are going to be at fifty. You may make all the plans that you like, but a higher power will rearrange. What you can do at twenty is to decide that at fifty you are going to be further ahead. You can decide that you are going to be somewhere and that that

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somewhere will be pretty well along. If, when I was fooling around the court, anyone had told me that a dozen years later I should be the president of a million-dollar corporation in New York City, I should have taken the speaker gently by the hand in order that he might not become violent, and then have asked him what kind of tobacco he smoked.

I have said that merely the desire for more money will not get you anywhere. That desire, however, may put you in a position where you will learn to work hard. It did me. I heard many of the boys talking about how much they made speculating in the market. It seemed to be the easiest kind of money—and the only kind of money I then wanted was easy money. I did not know anything about the game; I did not know what a “bucket shop” was, let alone that you might as well try to fall upstairs as try to win money in a bucket shop.

We had one in the town and the boys loafed about it. You could buy for five dollars or ten dollars and on that you were supposed to get a run for your money. I looked in there one day at the noon hour and found everyone furiously buying pork, and they told me about the money they were making. It was nice, easy money. I turned to the proprietor, whom I knew, and said:

“Sell me a thousand barrels of pork.”

“Sell,” he gasped, “everyone is buying pork. Do you want to throw your money away?”

But I had the beginner’s perversity and I repeated my order to sell. The market took a quick turn and before I went back to the office I had made \$75. In less than an hour I had made within \$5 of

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two months' work. Was not that enough to turn any youngster's head?

Of course, I started out to be a speculator, but I had the common sense to hang on to my job. Just why I do not know, because certainly \$75 an hour was not to be mentioned in the same breath with \$40 a month of eight-hour days. But in due course and of course, I got mine. I was not dealing in sums large enough to be handled by a reputable brokerage house, but to me the sums were large. I dropped all the money I had, then I went successively to each bank in town—everybody knew me—and I borrowed \$100 from each. The net result—when I was at the end of my rope, and had to get out of the market—was: assets, zero; debts, \$750.

Then I sat down to do a little comparing. It did not occur to me that I might default on the \$750, but how in the world could I pay that sum at \$40 a month? Of course I could not. What was I to do? The only one thing that I could do was that which I had previously succeeded in avoiding—that is work. I thought it would be easy to get work and I went from office to office in the State House, but no one believed that I wanted more work. They knew I had a job and it is not customary in public office to seek outside work. There is no statutory law against a man in public office working, but there is the general understanding that if he really wanted to work he would not be in a minor public office. The men I talked with joked and laughed and said they would see what they could do, without the slightest intention of doing anything.

Going to the office one morning, I noticed that the lawn around the State House was full of dandelions

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and was generally unsightly. I had looked at it a hundred times before without having the weeds bother me, but this time they did. An idea struck me and I rushed at once to the keeper of the grounds with a proposal to spud out the weeds. He took me on. I started that very night with a lamp and for more than a month I put in from daylight until eight o'clock in the morning, the lunch hour, and four hours at night at the delightful occupation of getting weeds out of grass.

In the meantime I had cut down my living expenses. Another man and myself shared a room, we cut out breakfast, ate milk and cereal for lunch, and got a fifteen-cent dinner at night. My total living expenses during this period were \$2.50 a week.

The state officers seeing me on my knees spudding weeds began to realize that I had been in earnest when I asked for work and they began to shift things my way. I got lists to copy, stenographic work of various kinds—in short, all and every sort of odd job, and so many of them that day in and day out from dawn to midnight I was working. I opened a bank account and everything I made went right into that account, with the result that in five months I paid back the whole \$750 and had a little over. What I learned in that time was not how to make money, but how to think, or perhaps it would be better to say that I learned that it was possible to think. Of course I learned to work.

Before the dreadful financial crash that I had just described, I had planned to take a trip down the Missouri and Mississippi Rivers with another man in a skiff. Most of the people about the town said that we should never reach St. Louis, which was our

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destination. In the new idea of working I abandoned the trip, but my chief, the clerk of the Supreme Court, would not hear of such a thing. He had bets placed on me all the way down the river. I had not enough money to finance the undertaking. I confess that my sporting spirit was at war with my new money-making ideas—I really did not like the idea of giving up the adventure. My chief financed the trip and we succeeded in doing what we started out to do. We made St. Louis, which, however, has nothing to do with this article excepting that the exploit did return a certain amount of personal advertising and gave people a confidence in me which perhaps they did not have before.

The feeling began to grow that I would do what I said I would do. I had already made up my mind that I wanted to be a lawyer. I had been active politically. Everyone who holds any sort of an office has to justify his existence by political activity, and of course I looked forward to a job from Washington, for Washington is the Mecca of all political officeholders. One of our senators had promised me some kind of a job in Washington; he had been promising it for a year or more. This fitted in perfectly with my plans, for it would permit me to study law in the capital. But political promises are not the firmest of foundations. I thought that I had my job—in fact I was making ready to go, but then something happened. My senator was opposed to the candidacy of a lower-court judge, who desired to make the State Supreme Court, and therefore, in a general compromise, he appointed the son of the judge to the job, and forgot about me.

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But, by this time, I had learned that progress comes through work and not through favor. The confidence born of hard work and hard thinking was with me and certainly a senator or two was not going to stand in the way of progress. I boned up on my shorthand and typewriting, went to Omaha, took a special civil-service examination, passed it easily, and shortly thereafter was assigned to work in the Lighthouse Board in Washington.

I did some work on the outside, and took a law course at the George Washington University. Then I went back to South Dakota, passed my bar examinations and became a full-fledged lawyer, incidentally managing to work my way to Europe and cover 7,000 miles of southern Europe by motorcycle. These trips were not time wasted. They gave me a chance to rub up against other people, and there is nothing in the world that helps a young man more than getting outside of himself and learning what other people are doing.

But the law was not for me. I enjoyed the court work, but my type of mind was not that of the lawyer. I did not like the research work. I had thought sufficiently to know that there was something I could do better, something that would take more of me than the law; that, somewhere, something existed in which I could throw myself body and soul with the feeling that it held for me complete interest and a limitless opportunity.

I do not know what I did not try my hand at during those years. Casting back, I think I had a try at nearly everything except running an elevator. To the best of my knowledge I never even mentally adopted elevator running as a profession. Then,

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at the age of thirty, dead broke, and desperately in need of a job, I presented myself as a candidate for the position of salesman in the automobile department of a company making fire extinguishers. They took me on and there I first felt was something which could be made into an opportunity. I enjoyed the work. It was hard work. I did not know much about selling, but I did know people. Each time I was turned down, I analyzed to discover why I had been turned down and I took a different tack on my next call. In five months I was the general sales manager and just two years after I entered the employment of the company I was its president. There was no particular mystery in this. It was simply here, for the first time after rolling about, I found that it was salesmanship that held for me a compelling interest.

Let us look at the progress there first as sales manager. I found that the product was being distributed through selling companies. These men knew their field, but they did not know that other fields existed. They sold personally instead of enlisting the jobbers and dealers to make the widest possible distribution. I hammered at them, I bombarded them with letters every other day and rapidly extended the business, but the extensions did not satisfy me. I thought that we could get better results with branch offices rather than selling agencies. The plan did not go over very easily, but it did go over and in three or four months the worst of the branches were doing more business than the best of the agents.

That was only a small part of the sales work, and I have no space here to take up the training and

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extension of the sales force. It tripled and so did our business in less than a year. The old curve of business showed a peak in June and a low spot in September. It did not seem that one month could be better for fire extinguishers than another, and so I made an analysis of the market. It seemed that the sales fell from June to September simply because the agents did not think it worth while to press for business during the period when many houses did not keep fires burning. I changed this by making our most intensive advertising campaign in what had previously been the dull months, and where August and September had been low, we turned them into high with the thought behind us of keeping a constant volume of sales throughout the year.

A seasonal business is a very bad business. In many, I might almost say in most products, and certainly in the product I was handling, one month was quite as good as another, and the real problem was to jolt out of the salesman the notion that months or territories vary. By applying thought, which means applying science to selling, a product ought to yield the same results month in and month out, and it was by applying that idea to the salesman that we overcame seasonal business and multiplied the sales of the company, and because I had thought of these things, when others did not, they made me president of the company.

The ideas I have given are more or less general, although they are drawn specifically from my own experience. Perhaps certain principles can be deduced from them, and they all have more or less to do with salesmanship, for, if you will stop to think,

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success in business involves a large measure of salesmanship. The successful man is he who has sold himself; his customer may be the general public, or may be an employer or there may be only a trade prospect, yet the first step in each of these sales is the selling of self: I think therefore the first principle is to be human—to get together and understand one another. Sometimes we almost forget that everything we attempt to do must be done through human agents and that if we are going to get results we must have those human agents working with us, pulling together with us. One who is successful must get others to believe as he believes and then move them to act in that belief. You can call that a definition of salesmanship or a definition of success.

A good lawyer has to sell himself first to the client, then to the court and jury, and finally to have the court and jury decide as he wants them to decide. A big preacher is the one who can sell not only his ideas on morality to the largest number of people, but sell them in such a way that these people will adopt his ideas. The employer has similarly to sell his products, the employee to sell his service. They sell the human beings they call themselves to other human beings whom we may call the public.

Be thorough. A few geniuses in each age seem to hop into success, to skip the hard work by which the majority approach success. Perhaps they are exceptions, but I prefer to believe that if these men with their natural talents had been more thorough they would have been more successful.

You cannot beat the law of cause and effect. What goes into the past has got to come out of the future;

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what you sow you must reap. Carelessness will never ripen into success and trickery will not beat confidence. There is nothing of technique in all of this, nothing of cheap cleverness, nothing of mechanics. It is only the compelling power of thorough understanding. An understanding is the first point—the points run into one another—they are but an enlargement of the angle, that of comprehending more of human beings. For one must understand his fellow men, and, more than that, must understand that there is more than one viewpoint, and that the other fellow may think his viewpoint is better than yours—in which case let me say you are in no position to dispute him, unless you know what his viewpoint is.

And I think it is not too much to say that you start right if you make a sincere, honest effort to understand your business, your employee, your fellow worker, the customer on the other side of the counter; in fact, to understand whomever you may be thrown with—you are on your way to success, for confidence breeds confidence, and distrust breeds distrust. I do not believe much in inspiration. I think that inspiration is the result of hard, earnest work, and that you must pay the price for it. If you have paid the price of hard work, what you gain may look to those who do not work as something which is inspired. But you will know what it is. You will know that you are getting out, but in a different form, only that which you put in, and then you will learn to know the greatest of all happiness, the happiness of the good day's work well done, and that of itself will care for the success and the money.

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FINDING YOUR FITNESS FOR BUSINESS

GEORGE VAN NESS DEARBORN

WHATEVER the limitations or conclusions we make as to the term "business," it will be found on consideration that business reduces itself to two phases—manufacturing and trade, making and selling, using these terms in an approved logical sense. All life, indeed, is a process of making something or other—books, wisdom, pictures, reputations, for examples. So that all the men and women are in two classes, they who sell and they who do not sell. They who sell nothing are few indeed; a cynic would say, do not exist. The professionals sell wisdom, knowledge, skill, experience; the business folk sell credit, money, transportation, publicity, insurance, and nearly all the commodities, natural and artificial, of the busy, ever-evolving world. Business, then, includes all methods of buying associated with the making and distributing for gain of all things not made and distributed by professionals and artists.

So general is business that one almost might say fitness for it on the part of a boy or girl is by the exclusion of distinct tendencies to other vocations. But if one did say this, some cynic again, looking for adverse criticism material, would surely say, "Is only he then fit for business who is fit for nothing else?" Of course not, and yet business is so vastly wide in its fields and interests that fitness for it

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might in some cases be properly determined by the exclusion of other distinct aptitudes.

"No step in life," says Frank Parsons, pioneer, "unless it may be the choice of a husband or wife, is more important than the choice of a vocation. The wise selection of the business, trade, or occupation to which one's life is to be devoted and the development of full efficiency in the chosen field are matters of the deepest moment to young men and to the public. These vital problems should be solved in a careful, scientific way, with due regard to each person's aptitudes, abilities, ambitions, resources, and limitations, and the relations of these elements to the conditions of success in different industries.

"If a boy takes up a line of work in which he is adapted, he will achieve far greater success than if he drifts into an industry for which he is not fitted. An occupation out of harmony with the worker's aptitudes and capacities means inefficiency, unenthusiastic and perhaps distasteful labor, and low pay; while an occupation in harmony with the nature of the man means enthusiasm, love of work, and high economic values, superior product, efficient service and good pay. If a young man chooses his vocation so that his best abilities and enthusiasms will be united with his daily work, he has laid the foundation of success and happiness. But if his best abilities and enthusiasms are separated from his daily work, or do not find in it fair scope and opportunity for exercise and development; if his occupation is merely a means of making a living, and the work he loves to do is sidetracked into the evening hours, or pushed out of his life altogether, he will be only a fraction of the man he ought to be. Efficiency and

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success are largely dependent on adaptation. A man would not get good results by using his cow to draw his carriage and his horse for dairy purposes; yet the difference of adaptability in that case is not more emphatic than the differences in aptitudes, capacities, powers, and adaptabilities of human beings.

"We guide our boys and girls to some extent through school, then drop them into this complex world to sink or swim, as the case may be. Yet there is no part of life where the need for guidance is more emphatic than in the transition from school to work—the choice of a vocation, adequate preparation for it, and the attainment of efficiency and success. The building of a career is quite as difficult a problem as the building of a house, yet few ever sit down with pencil and paper, with expert information and counsel, to plan a working career and deal with the life problem scientifically as they would deal with the life problem of building a house, taking advice of an architect to help them.

"Boys generally drift into some line of work by chance, proximity, or uninformed selection; and the high percentage of inefficiency, the change experienced by many employers in their working forces, and the cost it entails in employment expense, waste of training, and low-grade service, are largely due to the haphazard way in which young men and women drift into employments with little or no regard to adaptability, and without adequate preparation, or any definite aim or well-considered plan to insure success.

"The aim of this book is to point out practical steps that can be taken to remedy these conditions through expert counsel and guidance in the selection

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of a vocation, the preparation for it, and the transition from school work. No person may decide for another what he should choose, but it is possible to help him so to approach the problem that he shall come to wise conclusions for himself."—(Parson's "Choosing a Vocation.")

This same American pioneer in Vocational Guidance, about ten years ago, stated a comparison between the conditions attending real success in professional life with those in business; it is not exactly a complete parallel, but one sufficiently instructive to be quoted:

The professional man as a rule

Needs a great deal of book knowledge.

Needs special training in his business; and must understand people, but does not need organizing or executive ability in special measure, nor money-sense, nor financial judgment. Nor in most cases does he need a cooperative spirit or competitive push in so high a degree as the business man.

The professional man is an independent individual power.

The business man as a rule

Needs comparatively little book knowledge.

Must know things, goods, markets, processes, etc., and must understand people; he also needs organizing and executive ability in large measure and a money-sense or financial judgment. And a cooperative make-up as well as the push essential to aggressive competition.

The business man must build up a big machine including many human beings.

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We certainly need not follow the ancient lead of prescientific centuries and look for simplicity where no simplicity exists. Nothing scientific possibly can be simple in a mechanical sense, although properly always easily understood. There is then no one preeminent qualification for a business career, but there is something that corresponds to this, i. e., a certain fairly well-defined combination of qualifications.

Just as a fine modern lock, too elaborate for a single key, is worked by successive adaptations or by a number of keys simultaneously operated, this business-fitness combination certainly is unique and is guaranteed to unlock no other fitness than business fitness. No reason is obvious why a boy or girl should not check himself or herself "up" by this set of personal characteristics, and judge more or less accurately if he or she be a potential business person, if this career be acceptable.

It is plain enough that, in the multitude of actual adjustments to business careers, personal qualifications will be considered in certainly not more than one-half the cases at most. Circumstances of many kinds, things "standing around" in the environment, especially one's family or one's friends or acquaintances, will determine entry into the business world. Among these obviously are such environmental conditions as family bent, excellent opportunity of one sort or another, parental compulsion, caprice, first chance, "chance" of any of a hundred sorts, rather than personal fitness proper, or even personal inclination.

But, even so, personal qualifications help in one way or the other even if in a negative way, and the

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environment has qualities, just as the individual has, toward which reaction, positive or negative, is bound to occur. Our boys' or girls' qualifications for business, then, come in, whether consciously or not, even in these cases where chance, so-called, or any other influence from without seem to be wholly determinant of the vocation of the adult.

In any event, the boy or girl *must show, or else develop, a plain determination for the business life*; in other words, must have a firm determination to lead the business life. He can do nothing at it worth the doing unless he is interested. Let me quote five paragraphs from a printed lecture to freshman medical students:

"We must frankly face the fact that it is possible that some students in every class would be more or less useful to themselves and certainly to the world in a 'job' either on the front or the back end of a street car; or in a good, substantial position in a machine shop, in a laundry, in a confectionery store, or something like that. For it is possible, if not probable, that a certain percentage are not at all of a scholarly 'make-up,' so that they can never be a success at any learned pursuit. The place to discover this is early in school, lest otherwise they waste precious time.

"If students are naturally of a scholarly disposition, it is much easier for them to study effectively than otherwise it could be. But whether scholarly or not, they must first have a real interest in that which they wish to study. If they have grown up without the 'natural scholarly interest,' it is their duty to acquire it. But when a real interest has been really acquired, they will learn almost reflexly

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and without any great effort, because it will be a pleasure to them. So this matter is truly worth while. Furthermore, students must have a continually changing and a continually developing interest. In every case, if they wish to economize time and energy and to learn adequately, they will, as a preliminary, develop an interest in the subject they are studying.

"Some, in fact thousands, never go far enough or deep enough to develop an interest—never deep enough to realize how unimaginably marvelous is their world of matter and life and mind. This may be a matter of 'fate' or it may be just laziness.

"The best way, perhaps, to develop an interest in any subject is by collateral reading. We should read broadly on subjects allied more or less closely to what we are studying. When it is physiology, for example, we should read about related science—physics, psychology, and the enticing histology of the nervous system. There are all sorts of exceedingly interesting material to be obtained from the libraries, which is related to this particular subject, complex and fascinating in itself. Another way to develop interest is by thinking for ourselves of those relations. A third method is to associate with people who already have an interest. Fortunate is the student who can have the advantage of association with masters of the subject in hand! Whatever be the means, we must have interest in his work.

"What we have an interest in, we enjoy doing, and that is the reason why well-adapted work, in the long run, is the most certain, if not the greatest, of human delights. Many people think of work as a necessary something, disagreeable rather than

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agreeable; but, on the contrary, it is certainly one of life's most permanent and substantial as well as useful satisfactions and delights. Work (more properly called drudgery), that is not adapted to the individual is undeniably unpleasant. Professors in our colleges and universities, for example, rarely grumble about their work, and this is not primarily because their work on the whole is pleasant, but more because it is well adapted to them; for otherwise they give it up. It is the vast body of men who do not as yet have work which is adapted to them, who do not like to work. All great, useful, and original work ordinarily is done under such conditions that the work is enjoyable, there being always enough of interest about it to make it pleasurable. It is under these conditions, furthermore, and generally under these alone, that the largest amount of energy is expended. This basal relationship is expressed in the science of efficiency in the term 'Sthen-euphoric Index,' meaning the more or less direct relation between the expenditure of vital energy in any action and its inherent pleasantness. 'Enjoy your work and you will most likely expend a very large amount of energy in it.' This is the practical corollary of this fundamental index of organic dynamics. It is enjoyable hustling that counts, always within the limits of our biological strength and nature."

In the case of business, it is the substrata (the manufacturing, the trade, distribution, gain) in which interest must be already had or which is to be developed. At any rate and cost, a business life should be entered under impulsion from an internal and personal conscious determination to the business

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life. Without it there is no attempt to furnish the necessary energy.

Of this determination the most important almost is the willingness to subordinate into the place of avocations, or even recreations, all other interests: arts, literary ambitions, domesticity in the case of girls, travel, hypochondria, etc. Business is a jealous mistress and requires all of one's work-time endeavors, all of one's most serious thought and subconscious interest and planning for herself. But she is a good mistress.

Not the least part of this apparent great renunciation of some of our other personal interest is its most important negative side, so to say; one of these abandoned interests (save as recreations at odd moments), such as fame, leisure, variety, dignity even, to a less aristocratic pursuit—the gaining of money, index of material luxury and pleasures. The ubiquitous collecting instinct is a real instinct or something closely akin thereto, although the idea is not a perfectly definite one. Even the extensive collection of dollars, pounds, or francs may be seen to be an instinct in many cases with an appeal often irresistible throughout one's entire life!

If this appeal be heard early in life, it is a fact obvious enough, for the boys and girls hearing and answering to it are earning when others are playing or studying or idling or worse. Plainly it is a markedly characteristic factor of fitness for business, this early interest in it. One even sees small boys, and occasionally even small girls, well-read, keen, and versed in the methods of business. It is an indication of business interest in any event, however tyrannical and obsessive in later life it may become.

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So much for the factors of *interest* and *determination to business* as qualifications for the business life. The below-noted qualifications for the business life are arranged as nearly as the writer can arrange them, without being pedantic, in the order of their seeming importance. It is obvious that the latter portions of the list cannot be placed in this way, and the first factors only in the roughest of grading.

The second element of business fitness which I would suggest has already been mentioned, but should be repeated for emphasis, i. e., the *proper valuation of money*, to be later used as a means of happiness and satisfaction. This is not of necessity, properly speaking, greed or avariciousness, but the evaluation of money or wealth as a universal means to and indication of many of the life's satisfactions.

The third element of fitness for a successful business life is *initiative*—the power and the habit of developing novelties and the keeping at it. This, plainly enough, is one of the important elements in the forms of creation. Certainly there is no place where a larger field of initiative, so to say, is essential than in business, so varied and tremendous are its outreachings for the other life. Nowhere is there a greater need of sustained initiative because of the unique and almost cruel competition of the business world. Under normal conditions, such as that to which the world will surely come within a few years, let us hope, this competition will be acute even at times to the point of savagery, and it is worth while noting here, perhaps, that in this condition the logical control of honest business is at its best. This is the fundamental law of supply and demand. At the present writing this is in abeyance. The initiative

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in the case of business must be not only active but persistent; there must be both ability and daring.

The fourth fitness which we must consider apparently is one which to many of my possible readers will seem not worth the place in so serious an article. But I put it thus high up on my list with deliberation and well-considered purpose. I refer to *good humor*, the habit of keeping good-natured and seeing and appreciating effectively the wit and the humor of everything in all conditions of life. I think this temperament of humor, certainly of good humor, is being better and better appreciated, and even in the most acute and dry aspects of life is being more and more valued at its real and practical worth.

The fifth requisite to be mentioned is the *habit of industry*. This term needs no explanation. It means a well-fixed habit of keeping at one's task day after day, month after month, and year after year, perhaps all one's life. No one can miss the fact that plodding often succeeds where the artistic methods of sprints alternating with idleness is apt to fail. The boy or girl who has not this habit or who by nature is unwilling to acquire it will make a poor business person.

Sixth: *Honesty and integrity* are absolute necessities if one would really succeed in business. As is plainly realized to-day, one's credit is the basis of his business and it never can be less so than it is now.

Business in the modern mode and bigness would be absolutely impossible without credit. This is so obvious that it does not need enlarging upon. It is one of the cynical ironies of business, however, that so many "succeed" in a financial way without business integrity. This is a matter which St. Peter

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himself at the Golden Gate will have to make clear to us. Personally, I am of the opinion, with the great Emerson and so many others, that the "law of compensation" works far more exactly than people are apt to suspect. The dishonest business man may accumulate wealth, but he cannot properly be said to succeed in business; he has only pretended to succeed.

The next thing that occurs in our list is *intelligence*. It need not be suggested that business requires the highest grade of general intelligence, and we can leave this requirement thus simple. But there are two special forms of intelligence, which, although psychologically opposite in some respects, are nearly indispensable to business success. The first of these is the arithmetical intelligence, the keen sense of numbers and of numerical proportions. It is owing to the lack of this form of intelligence in a special degree that many domestic women and perhaps the majority of scholars and artists are proverbially such poor business people. The arithmetical intelligence is essential plainly because business is fundamentally the amassing of wealth which cannot be cared for without the proper attention to arithmetic.

Another special form of intelligence important for business, for lack of a better term, we still have to call intuition. In no place, unless in the sizing up of suitors on the part of our sisters, cousins, and aunts, is intuition more important than in business. The reason for this primarily lies in the fact that one's business competitors are human beings almost as keen as ourselves and with minds of their own. The better one can understand these minds and the

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personalities of the people with whom one deals, the more successful the business relations with them will be. I have ventured to suggest a few comments on the science underlying intuition in the "Psychological Review" of November, 1916 (XXIII, 6, 468-483). In this more or less trivial article I have come to the conclusion that the intuition of women is more highly developed than that of men; an opinion with which the novelists all seem to agree. From this point of view women should make excellent business persons when properly trained. Let us repeat here a page from the above-mentioned article:

"Thus we may note that intuition means, in fact as it does in etymology, practically the same as insight, or at least is insight—insight namely into situations ejective, objective, or sometimes subjective, and of course into any combination of the three. I am content to rest with the simple figurative concept "insight" as a working definition of intuition, until analysis of the elemental processes involved shall have extended the connotation of the process and so made our insight more satisfying as a definition. One may say then that intuition is immediate knowledge of or insight into ejective, objective, and subjective processes or situation, this insight involving at least the four following kinds of psychophysical event.

In the briefest possible terms, too concise to be thoroughly scientific: 1—A delicate and sometimes ill-realized affect anent the intuited situation. 2—A more or less accurate process of comparison and inference, usually not at all consciously appreciated. 3—Comprehension of the situation, often with much acuteness and with far-reaching wisdom. And, 4—

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an effective instinct to trust the impression thus presented in the mind, the instinct in the adult being already long habitual.

In such a formulation we may distinguish a number of named mental processes obvious or closely and certainly implied and implicated beneath a figurative surface: A—Keen perception, perhaps by all the senses simultaneously, implying sensitive receptors, and afferent centers and adequate sense training inherited or personally acquired. B—Delicate emotional mechanism with little starting-inertia and a minimum of muscular or glandular gross action, the “soma” of the affect involved being largely neural, as is the case with all long-inhibited feelings. C—Awareness of the emotional aroma, however subtle, and D—Appreciation, more or less consciously, that it has significance. E—An attempt to understand this significance; which promptly leads to F—A process of comparison; G—A judgment coming from the comparison (based on the nature of likeness and unlikeness), and H—A more or less unconscious mysterious human mental process that we term inference. I—An integration of the affect and the reasoning process into, J—A conscious tendency to the understanding of the factors of the situation, however novel or complex, so long as rational (including caprice) and not materialistically fortuitous; here life experience comes in to aid the intuitive process greatly and we find the penetrating “woman of the world” of fiction. K—The product of this complex fabrication (in the etymological sense), however new or unfamiliar, is unconsciously believed in as wisdom from the soul’s deeps, an instinct which involves, L—A feeling of self-confidence. This leads

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in its turn to M—A conscious and most gratifying product, and the woman knows or understands something which is of use to her and often to others, in the conduct of a difficult life, something which may protect her or hers, something oftentimes which makes her naked momentary intuition of more real worth than the male's most labored and extended mental toil of thought.

Such an analysis as this of a mental action into thirteen elementary parts is of course purely artificial and in part arbitrary, and must therefore be taken (if indeed taken at all) as only a further amount of description of the total action, as possibly it is. But the process of the insight as a whole cannot, I believe, escape analysis into at least four processes numbered above. Intuition is important in business, however a psychologist may analyze it. It means much.

The eighth form of fitness for the business life we may name in a word as *imagination*. The practical value of imagination has been continually underestimated. Paul Ehrlich, the biologist of immunity, who has recently died, stated that the greatest asset of his life was his chemical imagination. For practical purpose, imagination gets its value for business in a way not unlike that of intuition, but it is intended here to apply the term imagination to more concrete and material processes. One has then what is sometimes termed "the broad view," meaning thereby, for the most part, a real understanding of the conditions concerning any given business problem. On the other hand, many persons lack this "broad view" and are unfit to advance far in the business life—they look around too narrowly.

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Closely allied to imagination, of course, is *ingenuity*, and business offers unlimited opportunities for the highest reaches of ingenuity. New methods are continually required and must be devised and adapted in a host of intricate ways to an environment always changing.

The next fitness element is not easily described, though it may be known by the term *personality*. The psychology of personality remains to be detailed, but it is one of those vague but important ideas which need no description, since everyone understands what they denote. It is important in business because business always deals with personalities, and "personality" counts.

Personal appearance: One's raiment and one's personal neatness in business are always essential. The present writer has just published a pioneer scientific discussion, "The Psychology of Clothing," in the Psychological Review Series of monographs, and relates therein many actual instances of both success and of failure, primarily due to clothes. Suffice it here to say, he suggests that the matter is an important one—it is only the millionaires who can afford to ignore this matter, or the philosophers or the hoboes, philosophic or not.

Vigor of mind and of body, it almost "goes without saying," is an important factor in the fitness for business. Business is a worrisome vocation and demands one's persisting strength. The most obvious tendencies in this respect are the getting of too little exercise and the neural and arterial decay from too much worry. Other things being equal, the really successful business man or business woman will sooner or later acquire the habit of not worry-

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ing about business matters. The business man is especially blessed who can cast out of his mind his business cares at the moment when he puts on his overcoat at the end of his day's work, however short. Fortunately, the successful business gives one ease and confidence, so that there is no excuse for the successful business man, at least, failing to prolong his life by proper hygienic care. With the familiated "day laborer" this is not so.

Another fitness is an endless *patience*, and the using of this especially in the conscientious and persistent consideration of infinite details. That to a certain degree the most successful business men are those who have given any amount of detailed attention to their business is seen from the biographies of many who have succeeded in this vocation. Here, as elsewhere, is the endless patience for almost unlimited minutiae a valuable point in determining vocational choice. Some lack this saving patience.

The necessity for *good education* as a requisite for successful business life has been much discussed, but to the mind of the present writer there can be no doubt. As President Harry Pratt Judson pointed out about twenty years ago, the college education trains to industry, is calculated to give a broad intelligence, gives mental sagacity, should give a high sense of honor, teaches one to be satisfied, broadens the circle of existence, and trains one to enjoy as well as to do.

In his important little book, "The Higher Education as a Training for Business," he says in answer to the question "Who should go to college?":

"It will pay if there is any likelihood of a career in some of the larger fields of business activity. A

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boy who probably will not get much beyond the position of assistant in a retail grocery may as well be satisfied with a common-school training; but a business man who can give his son some advantages of a start in life may well include in those advantages a college education. If the boy is of the right sort, he will in college form habits of methodical industry, quite as well as in the factory. He will learn a larger intelligence than can be given by mere business experience. His mind will be trained to a ready command of all its faculties. If, again, he is the right sort of boy, he will learn a high sense of honor. Beyond all this he will become adapted for social life in all its forms; he will be at home anywhere, and he will have his ideas so broadened, and his tastes so cultivated that he will know how to make the most of life wherever he is. He will be a large part of the community.

"In fine, a boy who is inclined to go to college should be encouraged in that ambition if the way is clear. Other things being equal, he will be a better business man for his college training, and he will be a larger, broader man."

Democracy of feeling toward one's fellows is the last important fitness for business which the present article would suggest. Properly speaking, business inherently is democratic. The aristocrat in business, if there were such, would not be the wealthy millionaire, for most of them came from the "lower" strata of society—witness Jay Gould, Rockefeller, Carnegie, as conspicuous examples. The typical business man is never an aristocrat, that is to say, at least never a snob. The only aristocracy that business should recognize is ability and intellect.

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Two qualities of a negative sort should be mentioned: the temperament called chivalrous, and the habit of romance put in control of behavior. The former makes one habitually altruistic, whereas business is essentially accumulative in its trend, and often ungenerous with rivals. The latter tends to detract from the necessary commonplaceness of the routine, the detail, the system of the business life. The conditions which make for these negative qualifications for business are bound to change as the ameliorating world grows kind, and the time will come, undoubtedly, when both chivalry and romance will belong as much to business in general as now to medicine or to the art of war.

Such are the general elements of fitness for business which appeal most excellently to the present writer. It is plain that we have here, as we have said in advance, a combination of keys, a combination rather than a key, for this form of vocation guidance. One may be certain that vocational selection as an art and science is developing rapidly for the boy and the girl. Other things being equal, those who give themselves the advantage of its application will make the fewest mistakes in their vocations. Vocational guidance is a new thing, but it is the application of psychology as a practical means which cannot be overestimated. So far as business fitness is concerned, the question for each boy or girl earnestly desiring to get into the treasure house is simply: Have you the combination?

THOMAS E. WILSON

THE packing business is old and usually a family affair. Therefore, for a man who is not a member of reigning, so to speak, packing families of Chicago, and who began entirely without influential connection, to rise to the head of a large company is a most remarkable feat.

Thomas E. Wilson is president of Wilson & Company, which is a comparatively new firm formed out of the old Sulzberger & Sons Company. In his article Mr. Wilson explains not only the importance of personality, but that personality may be developed, and it is due to an extraordinarily attractive personality that Mr. Wilson had the opportunity to demonstrate his ability.

He was a clerk in the Burlington Railway when a chance came to check cars at Nelson Morris & Company. A clerk went over from the office, stayed a day, and came back saying that it was no fit place for a human being to work in. Wilson asked for the job and he got it. He had wanted to get into a bigger business and quickly he made his own job a bigger one. He passed from checking cars to the superintendency of all the repair work and then on to the building of cars. He finally took charge of all the construction work throughout the company. He passed from one job to another until finally, the elder members of the Morris family having died, he became president of the company, which would have

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satisfied most men. But Mr. Wilson wanted his own business. He did not want to be an employee even if his job was that of president.

After he had made a record with Morris & Company, certain New York bankers bought out Sulzberger & Sons and they, most unexpectedly to Mr. Wilson, proffered him both the presidency and a large interest under the name of Wilson & Company, all of which he attributes to a cultivated ability to make men think well of him.

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THOMAS E. WILSON

IN these days of great business the unthinking man is apt to imagine that the human factor counts for less than once it did. Never did it count for more!

A man, to be successful, must have a personality. You will not find the austere, icy-blooded capitalist to-day functioning in any of the big concerns of the country. The big men of business are human beings—with rare exceptions they are likable men, and they impress one particularly because they are so different from what they are pictured to be. They must have impelling personalities, otherwise they would not have progressed. The man who gets on must have something to distinguish him from the ordinary run of people. He must have a personality, and it goes without saying that that personality must be pleasing rather than displeasing.

Great personal successes, it is true, have been gained by men who rather prided themselves on being "rough diamonds," who liked to be brusque and to snap at people, but really they have been quite few and we think of them because they are exceptional. The several such men whom I have in mind, although they were so brusque and rude as to lend the impression that they had developed a new science of rudeness, had each of them underneath a strong

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binding force of fairness and honesty which caused one to overlook the mere surface markings.

But a man makes the way infinitely harder for himself with such manners. He must be something in the way of a genius to overcome the disadvantage of bad manners. By the same token a business, too, is most successful when it is established around a personality. A corporation, for instance, is popularly supposed to be soulless, yet the soulless corporation which represents things and not people seldom gets very far. A number of large and well-established corporations have at the present day no outstanding head—no one man whom the public takes as personifying the things for which that corporation stands. But I do not recall that any of these corporations are increasing their fortunes in any striking degree. Of course they have the natural year-to-year increases of any business, but the really successful business jumps amazingly, and the really successful business always has a personality.

The amount of corporate personality will be in direct proportion to the amount of contact that the head man has with his employees. The employees take their cues from the executives. I know of one large business where the recently elected president is a grouch, and already I see the same disposition making itself evident through the whole plant and sales force. The organization is beginning to act as though the public had to take its goods whether or no—and the moment any company imagines the public has to buy from it that company is on the way to bankruptcy.

What is a personality? I do not mean merely the dictionary definition—but how is one to distinguish

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a success-breeding personality from any other kind? Does it consist in being friendly, in shaking hands effusively, slapping backs promiscuously, being what is known as an "all-around good fellow" and dripping words of such emotional friendliness as to envelop the victim in a honey-cloyed mist? Undue friendliness is infinitely worse than boorishness—boisterous effervescence arouses a feeling of insincerity and breeds the exact opposite of confidence.

Do not confuse personality with effusiveness. The personality which I consider worth while can be described in exactly two words—"Be natural." Being natural is largely a matter of keeping frank and honest with oneself, so as to be able to meet one's fellows on an equal plane and with an open mind. It is *poise* rather than *pose* that counts and what I have said holds good for the office boy, the manager, the president, and the company itself. No one is too high or too low in the business scale but that his position will thus be bettered and his life not only made easier but more effective.

If you think that you are too busy to be friendly and unhurried with the people whom you meet in a business way, just reflect how much time you lose by being gruff and unmannerly—by preventing your caller from quickly getting down to the facts and by ruffling your own disposition. And, quite aside from the matter of time, may not a disagreeable greeting do a deal of harm to yourself and your own company? I make no distinction here between the president and the office boy.

Can any man grow so big that he does not need friends? Can you not trace some gigantic bankruptcies to the trade lost through the notion of the

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executives that they were so important that the opinion of the world did not count? It is all well enough to talk about the sterling qualities which develop upon close acquaintance with the most brusque of men. In the busy world of to-day it is the first impression that counts; few people have the time or the inclination to delve into innermost natures. We are usually judged by how we act on the first meeting. And the concern, also, which a man represents is judged by his attitude; business will be won or lost according to that attitude.

I discount the ability of the grouch by percentage running up to seventy-five for the chronic case; I give lower discounts to the men who are cranky in the mornings, and so on through the whole grouch list. I do not wittingly employ a man who cannot meet other men and make friends of them in the meeting. I can find no place for the grouch in business; furthermore, I see no excuse for the young man with a "bad disposition" and precious little excuse for the older man. This includes the young executive who feels his own importance and is "cocky," as well as the older executive who is so austere that he is unhuman.

Keeping on an equal plane is not as easy as it sounds. The higher executive finds it particularly difficult, and he may easily gain a wholly undeserved reputation for being chesty and distant when, as a matter of fact, that attitude exists only in the mind of the caller. As one grows in the business world, associates and employees tend to a formality which is most disagreeable. I have known men of high position who were distinctly burdened by the deference with which they were treated—they could

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not make their employees disagree with them or give them honest opinions.

Where they wanted a greeting of "Hello, Bill," and a handshake, they found it impossible to bring anyone down to earth in their presence—so important were their positions and so impressive their surroundings. Oddly enough, the hardest job of the executive who has come up from the ranks is to make his old associates treat him as they did before he drew the big salary. I am having that fight every day; if I dropped the fight for a moment, I should soon have my men shying away from me. And then I think the business would be likely to suffer.

But suppose one has naturally a very disagreeable disposition. There are a few unfortunates who have what might be termed ingrowing dispositions which, so to speak, fester as they grow older, until in time the owners become quite impossible associates. There are other men who, without so intending, can say, "How do you do?" in such a way that, unless you catch the exact words, you will imagine they are swearing at you. Other men are so timid that they shy away at a greeting—they act as though they had just stolen your purse and were afraid you would find it out. What should such men do? Should they be natural? Can you reform them into human beings? It all depends upon the age of the specimen. The young man can be cured if he tries hard enough. I would recommend that he affect, if need be, a "natural manner" and I think the results will pay, no matter how much time and trouble they cost. Let him train his manner as he would train his voice, were he intending to sing,

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and let him always remember that he must act his part constantly. If he keeps at it long enough, being "natural" will become a habit—and habit, it is said, is ten times nature.

The cure is harder with the older man—the man beyond fifty—for he ordinarily will not go to school for his manners. But he, too, can be taught—if he will—and, if he learns his lesson, he may accomplish more in the years that follow the half-century mark than he did in all those preceding.

However, the whole question goes deeper than the assumption of a particular method of greeting or of outward demeanor—it depends on the inward spirit. I think that anyone may meet men properly and make friends of them by keeping his own mind balanced and undisturbed.

A deal of getting and preserving an even tone depends ultimately upon an individual's attitude toward business and life and that attitude to a very considerable degree is founded on health. An unhealthy man is naturally grouchy. Nearly everything that arises in the course of the day disturbs him and he thinks that he has a license to be a nuisance to his fellows. I have the greatest sympathy with a man whose health is not good, but I am more and more impressed with the fact that only a small percentage of those who find themselves in poor health have other than themselves to blame. Curiously enough, if they are not themselves to blame, they will commonly not permit their feelings to interfere with their social relations. I was particularly struck by this fact while in England. I meet with hundreds of men who had lost legs or arms, who were blind, and some who remained the

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merest shells of what they once had been. Yet these men without exception were cheery, and you could not possibly get them to talk about what they had been or to dwell on their misfortunes.

A great deal of the disagreeable attitude of so many people who are half ill arises from resentment toward the world and that resentment can be overcome with will. But the matter of ordinary health is largely an affair of keeping in good physical condition and in preserving a balance of mind. The two work together—good health breeds evenness of disposition and evenness of disposition breeds good health. No greater fallacy exists than that work is injurious to health. I am in splendid health and yet I have always worked hard—at least what is supposed to be hard.

I am at my office every day from 8 o'clock until 5. Any one of my 25,000 or 30,000 employees may come in to see me whenever he likes and about what he likes—my door is never closed. Anyone outside of the organization may chat with me if he has anything to say; and my office force is instructed to assume that he has something to say and not to cast the burden upon him of proving it. But I do not think that I work hard; my hours are shorter than they used to be. Were I to cut them down further, I should not be able to meet with so many people and then my best sources of information would be closed, my number of friends would lessen, and the business would suffer.

For meeting many men through the day, learning from them and making friends, if possible, it is my way of doing business. The path of an executive and of the organization which he represents is hard

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or easy precisely in proportion to the number of friends he has. If those from whom you buy or to whom you sell, if your own people—if all of them think that you are square and honest, they will seldom try to take advantage of you. They will want to work with you. The president of a large concern can personally meet the majority of his customers and supply men scarcely more than once. It is likewise with employees. Since you meet so many men but once and their single impression grades the mark which they give to you and your business, isn't it worth while having the mark a good one?

Go back to the time, years ago, when I left the offices of the Chicago, Burlington & Quincy Railroad. The big packing firm which employed me wanted some one to keep track of its cars, and thought that a boy with railroad experience would be best fitted. One of our clerks went over; he stayed exactly one day. He came back with the report that the stockyards might be nice for cattle, but they were no place for a human being; and that no job there could compensate for the dirt, the mud, and the smells. He saw nothing of the business itself—of the wonders or the opportunities; he saw only the nasty features. I asked if I might try the place. They let me go.

The conditions were bad! The stockyards in those days had few points in common with a flower garden, and in addition the men were a rough lot who thought that the only worth-while jokes were practical ones. Few things were funnier to them than watching a "white collar" step on a loose plank covering a juicy reservoir of mud and slime. But I liked the crowd; within only a few weeks most of them

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were my friends—anxious to help. We all got on so famously that soon I learned not only the tracing of lost cars but also the repairing end, and from that went on to the purchasing of materials and the building of cars. My job kept growing day by day as I discovered things which I knew how to do. Within a few years I was given the construction department, locating the branch houses throughout the country. Later I began to purchase supplies for the whole plant. I had gathered to myself, simply by making friends, an intimate knowledge of nearly every division of the great business. The work was hard. I had my breakfast at half-past five each week-day morning and caught the 6 o'clock dummy to the yards; I seldom left before 9 o'clock in the evening and precious few Sundays did not find me putting in eight or ten hours at the plant. For fifteen years I did not take a vacation and during that time I lost only five days from illness. And I think that this marvelous health was due as much to keeping my mind open as it was to the physique which my parents gave to me. Confidence—the thought that you can do anything if people will help and that they will help, if only you meet them on the right basis—coupled with a desire on your own part to work with all that you have, will accomplish anything—I do not care how big the job may size up when first you look it over.

I tackled problem after problem until I had very completely the run of the business.

The president of the company brought me from the yards up to the office to act as his assistant. I was then only thirty-two, but I knew every process

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and every department of the big business on both the manufacturing and distributing sides. They shortly made me a kind of general manager in that all the superintendents in manufacturing, operating, and construction were under me; and thus I learned the larger executive functions of the concern. When the president died I became president. The run from a car tracer to president was fairly rapid—my friends say that it was extraordinarily rapid—but, on an analysis of the progress, I am forced to say that the rise would have been impossible had I not been able to meet men in a natural way, learn what they had to say, and go forward with them as my friends.

My change from the presidency of that concern to the presidency of Wilson and Company, which succeeded the old firm of Schwarzschild and Sulzberger, is too fresh in memory to make repetition here worth while, but I can say that the transition was made without the least friction, and the men with whom I had worked daily in the former company are my firm friends to-day. I grew up with most of the men I now employ and they are my friends to-day as then. I have one old pensioner of that company who comes in to see me several times a week. He has no particular business, but he is concerned about how I care for myself.

That man, by the way, is a splendid example of what a decent disposition will do. He is now past seventy; he put in many faithful years with the company at the heaviest kind of work through years which young men of to-day would call killing. Yet not long ago he walked out to my farm at Lake Forest—nearly fifty miles—and he was fresher

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when he arrived than most men would be after a five-mile travel. He has elected himself physical adviser to my family; he sees to it that I have enough exercise, and he is teaching my boy body-building calisthenics.

Meeting men freely and openly is not with me a faculty to be used only with the high dignitaries of business. It is quite as important to have your employees as friends as it is to be on good terms with bankers and great executives. I can conceive of nothing more vital to the success of an enterprise than an exact knowledge of the men who are doing the work. They come to me on both business and personal matters. What they have to say may be only of relative importance or even most unimportant, but it is sufficiently vital to the caller to cause him to think that I should be consulted. I like to feel that even the lowest employee believes that his own work will make or break the company. When enough men hold to that, the company can hardly fail to succeed.

These realizations of the value of friends have come to me only with the years. I always liked to be well thought of, or, rather, I disliked enemies and did all that I could to avoid having them. That was my natural approach and I now think that whatever success I have attained in the business world would not have been possible had I at any time closed my mind or imagined that I knew all about anything and did not need help. By preserving an open mind, I have been able to work very hard and still to enjoy my tasks through every day in the year. An even disposition has been my largest personal asset.

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My own idea is that an executive should treat everyone with whom he comes in contact in an easy, natural fashion, and that he should keep such an open mind and disposition as will permit frank conversation. I should just as soon be rebuffed crustily as fawned upon. I like to treat men on a squarely human, man-to-man basis, and I like to be treated in the same way myself. And part of my struggle through life has been to remain myself under all conditions and all circumstances and to meet each person with the idea that I can probably learn something from him and that he should think well of me on parting. No one has ever yet, to my mind, reached the position where he can afford not to pay attention to his fellows or to disregard what they may think of him. Of course, it takes time, but I do not know how I could better spend my day than in helping the crowd to do their work, either by talks in the office or out in the plant. In fact, I am quite sure that with any other method we should not have made such a splendid record. We made our record by working together.

GEORGE M. VERITY

GEORGE M. VERITY has been president of the American Rolling Mill Company, since its organization in 1901, and has achieved in many respects one of the most remarkable among organizing and managerial careers. The idea behind all of his work is that the human element controls, and he applies that in every branch of the business with the astonishing result that the company has not only gone forward with remarkable rapidity as a commercial enterprise, but that during its entire period and, in spite of employing a very large number of men, it has never had a strike.

He is particularly interested in the formation of character and the establishment of business ideals as a preliminary to the engagement in business, and he not only holds but practices that the first fundamental of success is complete and all-embracing honesty and fairness. It is on this principle that he has built up the company from a very small beginning to a very large concern, and he holds that for those who give a rigid attention to character success is inevitable.

The main plants of the American Rolling Mill Company, located at Middletown, Ohio, are in every phase to be considered as models.

CHARACTER AND SUCCESS

GEORGE M. VERITY

CHARACTER and success are so thoroughly interwoven, so essential to each other, that where you find one you are likely to find the other. There is, however, one great difference between them, and that is, that one may possess high character without having been fully successful in the broad field in which we wish to treat success. But there can be no real success without character.

It has been said that all able-bodied persons are divided into two classes—the workers and the loafers.

A loafer is one who lacks both moral and physical fiber, who has no sense of responsibility and consequently has no ambition. Success is to him unknown.

Every right-minded worker has the ambition to succeed.

Success is a word or term which is much misunderstood and subject to many interpretations. What is real success, and what are the elements or influences that make for its accomplishment?

Success is too often interpreted to mean solely the ability to acquire property or wealth. One may succeed in acquiring great wealth, but that does not prove that he is a success, for in spite of wealth acquired through his own efforts, his own sagacity,

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application, and foresight, a man may spend his later days in disgrace.

No man can hope to be rated as a success unless he has made good in all the relations of life that have come to him, and in the responsibilities of citizenship. This is a task that will keep a man busy every day of his life.

The duties and responsibilities of citizenship are to-day so complex, so varied, and so numerous, and the demands of modern business are so exacting that a young man just starting must take up the work of life thoroughly prepared, fortified, posted, and trained, if he is to hope to be rated as a success when his work is done.

The necessity for work was a wise provision in the plan of human life, and not a misfortune, as some try to believe, for it is through use of our faculties—physical and mental—that development takes place. The condition and characteristics of the loafer are the best proof of what happens to the human structure when it is simply allowed to float like a jellyfish.

Work to the men of the world is a real joy. It is an outlet for pent-up ambition and desire; it is the great leveler, the great safety valve for human weakness. A noted writer says:

“Work is not man’s punishment, it is his reward and his strength, his glory, and his pleasure.”

However, work—hard, persistent, conscientious work—will not, of itself, bring success without intelligent and well-directed effort. To be effective and efficient, a man must have the motive power of ambition and determination, and the perfect working parts of a sound mind and body. He must understand the art of diplomacy, and he must have the



THOMAS E. WILSON

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desire and the ability to give consideration to others when deserved. He must have the forcefulness and effectiveness, and the balance that comes with knowledge and training and the control of character. If one starts out in life with the determination to succeed in the fullest sense of the term, he must first of all be honest—honest with himself, honest with his employers and his associates, honest with his employees, honest in thought, word, and deed. He must be courageous, faithful to trust, ever ready to do not only the part assigned him, but to take advantage of every opportunity to serve his employers and his associates whether it is in the line of his regular duties or not. He must constantly add to the sum of his knowledge and experience in order that he may increase his power and efficiency.

Young men should understand the importance of making good in each period from boyhood on—at school, at college, or in whatever situation they find themselves. They should start out with the determination to make good in their first position, to make good fully, and be satisfied to let the next position take care of itself. It is a great handicap to be yearning for to-morrow's work, or for next month's, or next year's work, to the detriment of the work of to-day. Each place well filled is a rung in the ladder that must be climbed. Serving an apprenticeship faithfully and successfully is building a subfoundation soundly. An ability to perform, to do things, is not only the best asset, but it is the only one that the ups and downs of the world cannot take away. It is that which gives real standing among men.

Other qualifications that make for success are hopefulness, optimism, loyalty, enthusiasm, fearless-

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ness, sobriety, perseverance, and consistency. Hopefulness is the thing that enables men to brace up under the weight of temporary disappointments or failure, and to try again and again. It is a spur to continued effort.

Determined persistency, energetic effort, and hopeful optimism all spring from the important faculty of hopefulness—it is the mainspring of accomplishment, and every man, as influenced by his training and environment and according to his capacity intellectually and physically, has one or more things in life he especially hopes to accomplish.

Hopefulness begets a happy demeanor; it makes the world more beautiful and more cheerful; it makes life the more worth living. Hopefulness and work lead along the straight highway to success.

As to loyalty, there is something in the very sound of the word that rings true like a precious metal. One of the greatest elements of success is loyalty to your friends, to your associates, and to the business with which you may be connected; loyalty to your principles, to your faith, and to your citizenship.

Undertakings or accomplishments, great or small, are seldom brought to a successful conclusion without great enthusiasm. It is sort of a wellspring of activity, a full-charged battery that keeps the nerves tingling. However, mere enthusiasm unsupported by consistent, hard, effective work is like a beautiful bubble and is of absolutely no value.

Fearlessness to do the right as one sees it, can be as great a protection to the business man of to-day as was the coat of mail to the knight-errant of yesterday. Both a lion and a coward will flinch before genuine courage.

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There is to-day little argument needed for sobriety, for the very tensivity of the times, and the complexity of modern business, together with that great factor—public opinion—all demand absolute sobriety of men in both public and private service. Intoxicating beverages sap manhood, destroy initiative, loyalty, perseverance, fearlessness, and even honesty. They will, in time, destroy every virile quality demanded by success. Our exacting modern life demands a fixity of purpose that can come only from a strong body and a clear mind. The great cry of "Safety First" has gone clear across the land in the past few years, safety in travel, safety in toil, safety in human happiness, and every one of us knows that there can be no dependability, no safety where rum is either the boon companion or even the occasional associate. There is, in fact, to-day no place worth while in the activities of the world for the man who drinks.

Perseverance is indispensable to success—that real bulldog determination, undismayed by obstacles or handicaps of any and every kind, by time or tide—is a necessary companion to that sort of work that wins.

The race is not to the swift, neither is it to the strong, nor to the man who has the power of knowledge. It is rather to the consistent, persistent, determined man, who, fortified day by day with increased knowledge and experience, never gives up until he has reached his goal. No man who is at the top of the ladder ever reached it with one bound. He has worked and worked hard, has taken step by step carefully, sanely, and with confidence in his endurance.

Perseverance is described by a noted writer as energy and invincible determination:

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“The longer I live, the more certain I am that the great difference between men, the great and the insignificant, is energy, invincible determination—an honest purpose once fixed—and then victory. That quality will do anything that can be done in the world, and no circumstance, no opportunity, will make a two-legged creature a man without it.”

Inconsistency can spoil almost every other qualification; it undermines stability of character and reputation, and it gets you nowhere. If one would have the respect and confidence of his employer or his employee, of his customers or his friends, he must be consistent. He can neither act nor argue one way to-day, and another to-morrow, if either his word, his speech, or his influence is to be of value to him. To be consistent is absolutely essential to the employee, and doubly so to the employer.

All of these qualities, added to time and experience, will help keep one on the road to ultimate success, but do not forget that experience and time are synonymous, and that experience—the intelligent application of that ripened experience that has been obtained through performing and re-performing and proving that one can perform, is what brings the largest financial reward.

You must also learn that you will never be paid for what you are going to do as you go along, and that you will be only partially compensated for what you have done, as ability to perform must be bought at one price and sold at another, just as is every other talent, work of art, or commodity.

Every normal man has it within him to be a real force in the activities of the world if he will but use the God-given powers which he has.

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We must remember that failure exists only in the grave, that while there is life there is still a chance. That discouragement or inability to reach a fixed goal at any given time is not failure, it is simply experience, without which we can have no mature judgment, and that mature judgment is essential to success.

Let us first consider some definitions of character as given by various authorities.

Webster says: "Character—The individuality which is the product of nature, habits, and environment. The combination of qualities distinguishing any person or class of persons. Character means the estimate attached to the individual by the community."

The Century Dictionary and Encyclopedia says: "Character, acquired character, a change of structure or of function that is brought about in an organism during its individual life as contrasted with one that comes to it from its parents."

These definitions make it clear that character is more a matter of our own building than it is of inheritance, because in a large majority of cases we have it in our power to choose our associations and to choose or create such environments as appeal to us.

It is certain that our associations and our environment from childhood on, whether chosen or forced upon us, do have more to do with the development of character than any other factor or influence.

One may have all of these qualifications and in fact, every known physical and mental endowment fully developed; one may have a thorough education and training, one may have the great power of knowledge intelligently applied; one may have all

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of these, but without *character*, a "human unit" is like unto a great ship with a broken rudder or with no rudder at all.

Character is the great balance wheel, the great leveling, controlling influence in life; it is to a man as is the governor to a great "Corliss" engine. Of what value would the engine be without its governor? With every part in place and in perfect working order, its power of accomplishment would, without the controlling influence of the governor, be turned into an instrument of destruction—it would be a menace to life and property the minute steam was allowed to enter its cylinders.

Character is to humanity as are the throttle and the air brake to a great locomotive. The air brake, the governor, and the throttle all make tremendous speed possible, because they provide control for an almost unlimited power, which, uncontrolled, would destroy human life and destroy property. Every power which man has acquired or with which he is endowed makes him a menace to other lives, and an instrument of destruction without the great controlling influence of character.

Individuality is the sum of those qualities and characteristics in a man or woman, of initiative, force, and ability that are peculiar to each of them. A passive, lazy, "dough and putty" man has little individuality. Character is the quality of one's individuality. It is the controlling mechanism that makes one master of his powers—God-given or acquired. Character is the sum of those qualities that are distinct from purely intellectual qualities.

If you would succeed in the broadest sense of the term, you must acquire that thorough control of your

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mind, of your body, and of all your powers and faculties that only the possession of high character can give. There is no lack of opportunity; on the contrary there is a scarcity of men who can do things, or who can fully make good in the various divisions of commerce, finance, and industry. I doubt if there is a business of any proportion in the country, that, at some time in the course of the year does not have a place to be filled for which they have no one available *fully equal* to the need—a place where salary would not count if they could only get the right man.

Whenever fifty-thousand-dollar men are needed, the country must be raked with a fine-tooth comb to find an available man who can fully meet the need. Ten-thousand-dollar men are scarce; five-thousand-dollar men are not plentiful, while you can always find a multitude of twelve-hundred-dollar men. That is, of course, partly due to the fact that there must be many beginners and that all must climb the lower rungs of the ladder. But the point I wish to make is that it is the constant problem of big business to find men fully equal to positions of responsibility, men who have education and training, who are masters of a particular business, or of some branch of it, and who have the many qualifications that the complex business of the times demands.

When a young man has acquired a reputation for good character, for energy, for application, for courage, for initiative, and for the ability to do things, such a reputation cannot be hidden under a bushel, it is bound to spread. It will be known to his associates, to his friends, to his employers, and that young man will never lack for profitable employment.

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Responsibility gravitates to those who are able to carry it. The carrying of responsibility commands its own reward. Business, politics, the professions, the arts, and sciences all need men *who can do things, men who can make good.*

Last but not least, character, strong sturdy character, is needed to control success. The human mind, the human body, the human unit as a whole has shown itself to be strong—as is proven by the wonderful accomplishments of the ages. But in some of the strongest of the strong, of the seemingly invincible, success has proved to be the vulnerable spot—like the heel of Achilles. Success is the greatest test of character. Some can stand very little success, others a great deal, but the history of the lives and accomplishments of men give much evidence to prove that almost every man has a limit to the degree of success that he can attain without losing control of one or more of the factors or powers that have made him successful. The world needs men who can stand success and who, when they have found it, will use it in the interest of mankind.

GEORGE F. JOHNSON

NO one is better qualified to estimate the opportunity of the workman than George F. Johnson, because not only is he a workman himself but he believes that every man should start at the bottom and as far as possible on an equal basis. He himself began to work at the age of thirteen and, as he says, "attended the university of kicks and cuffs." Eventually he drifted, having become a shoemaker, to Binghamton, N. Y., and was there working in a factory when it failed. The principal creditor was Mr. H. B. Endicott. Mr. Johnson felt that he had it in him to make that factory a success and so he told Mr. Endicott. Mr. Endicott let him go ahead as superintendent. Within a few years he made an offer to Mr. Endicott to become a half partner, and the firm of Endicott-Johnson was formed. The firm grew to be the largest shoe manufacturers in the world. They have their own model city called Johnson City and another, somewhat more modern, called Endicott, both within a few miles of Binghamton.

It is Mr. Johnson's rule that no man may become an officer of the company who does not start at the very bottom. They call that the "Square Deal Policy." His own son had to begin at the bench—so did his brother's son. Every appointment is by promotion from the ranks, which is the practical way in which Mr. Johnson endeavors to teach what the opportunity of a worker really is.

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GEORGE F. JOHNSON

ONE very frequently hears it said that the workman to-day has less opportunity than he used to have—that concerns are becoming so big that the ordinary man at the bench is never heard of by the people at the top, and that it really does not make much difference whether a man is a first-class worker or whether he is not, because he is bound to be a worker and nothing but a worker as long as he lives.

I know something about this matter myself; because, having been both a worker and an employer and every executive of our company, I began at the bench. Starting with nothing, I have had a chance to look at both sides and to compare conditions now with conditions then. I started to work at thirteen and have been working ever since.

In those days, we worked from 7 a. m. until 6 p. m., when there was any work to do. We accrued small wages when we did work and if you averaged our pay over the whole of fifty-two weeks of the year, the pay per week would have been very small indeed, for I doubt if normally we worked much more than nine months in all out of the full twelve months. In 1898 I was earning \$24 weekly. I was foreman, but I persuaded G. H. Lester to let me have a try at putting the place on its feet. I told him that I would work for nothing for a year, or however long

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it took me to demonstrate that I could do what seemed possible.

I knew what was the matter with that factory and made it my business to see that I got a chance. I had ideas and wanted to put them into practice, which at once brings up the point of the worker's real opportunity. There was no chance then for the workman without ideas or with ideas that he was afraid to put into practice. There was no chance for such a man *then*; there is no chance *now*. There never has been a chance for that kind of a man to do more than make a living.

Progress is through ideas, and no one who has not ideas and is unwilling to develop them at whatever cost to himself can, under any circumstances, get what is called a chance.

Just comparing the old conditions with the present conditions, take this testimony of one of our old workmen:

"You want to know the conditions then. They were bad. All a man needed then was to get his little tannery built, start his company store, and build a few shanties, he called them company houses and charged no rent, there was no need to, as the men received no money, there were no pay days, the only trouble was to keep them from going too far in debt in the company store.

"Once a year, the company would settle up the store books and if you were over fifty dollars in debt, you were told that you must do better next year, if it was a small amount, it was all right, as they expected everyone to be in debt; if you had a few dollars coming to you, that was fixed so you would have none the next year.

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“The hours of labor were from daylight until dark. In the summer we went to work at five o’clock in the morning and came to breakfast at seven o’clock; we had twenty minutes for breakfast. We worked until seven forty-five or eight o’clock in the evening.

“There was a great deal of moving from one tannery to another. You will ask how they moved without money; that was easy, as all the tanneries had a few teams to draw their bark from the woods, and when you got a job, they would send a team after your family and furniture, and as these tanneries were but a few miles apart you could walk from one to the other.

“You did not have to bother to settle up, for if you were in debt you had no money, so why worry.

“I went to work in Big Equinock in February, 1870. I would not be fourteen until April 25, and it was necessary for me to go to work, as there was a big family, eleven children, three sisters older. There was nothing for girls to do then, and we had to live.

“A tannery that tanned one hundred and fifty hides was one of the largest while some tanned as low as fifty. At that time it took one year to tan leather, while now it is done in from sixty to ninety days.”

The people in those days could work for themselves. A shoemaker, for instance, could set up his own shop and he was considered a prosperous man if he had one or two helpers. He ordinarily had a very small amount of capital; he was limited to selling in the immediate neighborhood and since he could never get very far ahead, the people who worked for him, although they were on terms of

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greatest intimacy, had likewise very little opportunity to do more than sometimes to open a shop of their own.

These workers apparently had a large measure of freedom and so did the employer, but, if you look at that freedom closely, it will appear to be a freedom to starve when there was no work. The freedom was mostly in the direction of doing nothing and not of doing something. If, however, the shoemaker did develop a large business—that is, large in the terms of twenty years ago—it would probably be conducted as an individual or at most a partnership business, and at his death would pass to his son whether or not the son was competent to manage it.

The former worker might rise to the position of superintendent and possibly, under the new management, do all the work, but it is very unlikely that he would be given an interest. What is more likely is that the son would not know the business and would rapidly run it into the ground. In the old days it was the exception and not the rule for a business to continue to prosper after the death of the founder.

It is the present lack of opportunity of setting up for oneself which seems to be at the bottom of the complaints of the workers of to-day who say they have no chance. I am one of those who do not agree that it is better to be in business for oneself than to be employed by a large and well-managed corporation. The large corporation can and will pay to its executives salaries larger than those could—unless they were extremely fortunate—gain in an enterprise that was entirely their own. A man starting for himself has to build from the ground up. If he is skillful and industrious and his business increases,

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he has continually to find money for extensions and many a man who could expand is bound hand and foot by the fact that he cannot obtain money.

The large corporation, on the other hand, has the facilities, it has the money, it has the machinery, it has the business. What it needs beyond anything else is exactly what this man who might make a success on his own account has—brains and ability. It is a mistaken idea that anything can succeed just because it is big. When you look at a big and well-managed corporation, you are impressed with the fact that everything seems to work automatically and it would seem as though the human touch was not necessary. But such is not the case. The bigger the corporation the more brains are required in its management and that which limits size is not money but the capacity to hire the right kind of human talent.

The man who wants to get on, who is willing to work and who is willing to work with both his head and his hands, will have very little difficulty in attracting attention to himself in a large corporation more quickly than he could build a business were he alone. Once he has attracted attention, his rise will be very much faster than if he were managing his own affairs.

There is another advantage, much greater than any I have mentioned, particularly for the average man, and that is the community buying power. A small business must buy in small lots at high prices. It has not the money to take advantage of large cash transactions, consequently it cannot afford to pay the wages which can easily be paid out of the economies of the large business. Neither can the

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individual buy his pleasures and the like nearly so cheaply on his own account as he can if he buys them in conjunction with his fellows.

Let me take some instances from our business. We have very extensive recreational facilities, swimming pools, tennis courts that are lighted in the evening, baseball grounds, horse racing, band concerts, in fact, we have better facilities in these respects than can be had at any college in the country, any summer resort, or, in fact, anywhere. In addition to this the workers have free medical attention, restaurants which sell good food at less than cost, sick relief over and above what the workers pay for, accident compensations over and above what the State allows, the finest kind of motion pictures, and so on through every department of life. I have calculated that, were our working people to buy these things independently and not together, it would cost them something more than \$1,000,000 over and above what we now pay for them, which represents a saving of \$77 a year for each family—we have 13,000 workers. In other words, merely by clubbing up on amusements, they can either consider that they get \$77 more in wages a year or that they save \$77.

The people of the United States, perhaps, had more freedom in colonial days, but who can urge that the foundation of the United States of America has not been a good thing for the country and the people? Are we better or worse off than if we were still in the colonial stage? I hardly imagine there can be two answers to that question.

The workman of to-day not only is very much better off than he was ten or twenty years ago or at

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any time in history, but his opportunities for advancement are considerably increased by corporate control. A corporation having many stockholders is on a very different basis from the individual business. The owner of the business can ruin it if he likes. He is a fool if he does so, but if he pays all of his creditors, there is nothing to prevent him from managing it so badly that it must eventually close its doors. There is no one to check his ability or the ability of those whom he appoints. If he is remarkably bad in picking men, they will ruin him in short order, but whether he stands or falls depends upon his own actions. But no single person is the owner of a corporation. It is owned by the stockholders, who have their money in it in the hope of receiving dividends. If they demand a change of management, they will get it. Thus there is ever present a check on bad management, the check on favoritism in appointment, and the door to the advancement of the man below *must ever be kept open*.

It is true that some shortsighted heads of corporations do not fill their higher positions out of their own organizations. When they have a high office vacant or when the man in that high office is not displaying ability, they go out to some other organization and hire the best man that can be found. I do not approve of this policy. It does not in the end affect the chances of the workman, because those good men have to be drawn from somewhere, and that somewhere eventually proves to be workers. But I do think that it is bad for any business to have the impression get around that the higher places will not be filled by those who have most faithfully and most intelligently served the

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company, but will be filled by men who have made marks of distinction in other corporations. It is for that reason we inaugurated what is called the "Square Deal Policy" in our own company and that policy seems to me so important that it is here quoted in full just as it is given to the workers:

"The E-J 'Square Deal Policy' for workers is the best thing in business to-day. I am particularly proud of the fact that this has always been my idea of conducting the business. A consistent lover of fair play, and a consistent hater of everything unfair—despising 'privilege' and 'favor'—it seemed to me that the E-J 'Square Deal' for workers was the least anyone could ask for, and the most anyone might expect; unless, perchance, they did not believe in the square deal; or unless, perchance, they did love favor and privilege, especially when extended to themselves.

"The E-J policy was carefully considered, carefully worded, and posted as the definite and final decision of the company as to how they should conduct their business; recognizing the fact that it is more important that 13,000 workers have a square deal, and thereby have everything that any reasonable person could ask for in any industry—that they should be happy (in reason) and contented, because of this fact—than that a few privileged characters, a few relatives, and a few personal friends, might have berths, instead of deserving workers who had fairly earned these same better positions. Therefore, the publication of the E-J 'Square Deal for Workers.'

"We shall hereafter print this in our 'Workers' Review,' prominently. We want it printed everywhere prominently. We want everyone to know

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this; and when the policy is not enforced, we want to hear vigorous objections, and good healthy kicks.

"It means what it says, absolutely. If any one of you 13,000 workers knows of a single instance where it is not rigidly and strictly enforced, it is your duty to object. It is only by protecting this policy that we may hope to obtain and retain the good will of our people, and to maintain that loyal spirit of cooperation which we so ardently desire. Now, I know how easy it is to say all these pleasant things; how nice and fine it all sounds. But how many of you are saying: 'All rot!' They don't do this. They don't mean to do it. In fact, it isn't possible for them to do it.' Favor and privilege have been so long established in industry—easy berths have been given to those less deserving—unfair tactics have been so long continued—proprietors of the business have acted as though it were their business exclusively, and as if they did not recognize the fact that there was such a thing as a partnership between owners and workers—they have been so arbitrary in matters which pleased them even though they displeased 13,000 others—they have been so selfish and thoughtless in every respect, that to have a 'Square Deal Policy' and live up to it is beyond your comprehension and belief. Nevertheless this 'Square Deal Policy' means everything it says.

"Not that I expect it is going to be enforced easily. Not that I expect that favor and privilege can be driven out of an industry the size of ours, pleasantly, and possibly not suddenly. But, just as sure as God lives, there is going to be a determined effort made to have this policy lived up to, in the

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letter and in the spirit. And as in everything else we are trying to do that is decent and fair, we must have your hearty cooperation. Do not, then, expect privilege or favors. If there is a better position open and you see some one else in the room put into this job, don't imagine that you have been discriminated against. Don't get 'sore' because you didn't get the job, but rejoice that some one who has earned it did get it, and not some rank outsider. That is what the 'Square Deal' means.

"We have not been educating doctors and lawyers. Therefore, when we need doctors and lawyers, we have to go outside. But this is a solemn promise to you, and a well-considered statement—that every position strictly inside the tanning, shoemaking, and mechanical operation of our business will be filled from the inside—that every better job will be filled by promotion—that every person coming into the business will come in at the same lower door, at the foot of the ladder, and be compelled to find their place in the business by faithful service and merit alone.

"This means that in building up the new town of West Endicott all the positions will be filled from the inside. Everything will be in the line of promotion. There will be no outsider hired for any position. I want you to get this firmly into your minds; and in saying this I am conscious of the fact that this is not the easiest way to build up a growing business. But I am just as firmly conscious that it is the best way, and you may be absolutely sure that it is the way it is going to be done."

The difficulty of the worker who imagines he has no chance to advance is that he will not make a

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chance for himself, that he prefers to talk rather than to work, and of course no employer is knowingly going to advance that kind of a man. There is, in addition, the modern cult of Bolshevism, in which being a worker and only a worker and never striving to save or go forward is made a virtue instead of a vice. These radicals say that the worker is a slave and that the way for him to get a chance is to take over all of the property. Let me again refer to our business.

Assuming that we should have a "Radical" administration of E. J. affairs, and the workers did take the business over "in the interests of the working people." Assuming that they could do just as well. Assuming that they could keep 13,000 people working happily and contentedly and effectively. Assuming that they could finance it—arrange for payment of bills, pay rolls, etc. Assuming that they could merchandise the goods, find markets and create credit and confidence. Assuming that they could interest capital that would be willing and glad to furnish all the money necessary to run the business. It takes only fifty million dollars, more or less. Assuming that there could be found a group of men who could do all these things, as well or better than they are now being done, and that equally good results could be obtained, as are now being obtained—equally good shoes, equally good values, an equal amount of confidence created in the minds of the customers, the same amount of profits made, the same high wages paid, the same favorable working hours, and in every respect could duplicate our performances. How much more could they do with the profits than we are doing?

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Wouldn't they have to pay interest on money used? (Or would they expect to get money without paying interest?) Wouldn't they have to pay Government taxes? (Or would they refuse to pay the Government taxes?) After having paid interest on money—which of course they would have to do—after having paid the Government taxes, which of course they would have to do—there wouldn't be any more profit left to divide among the workers, under their management, than there is under ours. And they couldn't divide it any more fairly, could they? Wouldn't they have to give the people who take the risk and furnish the capital, part of the profits? Could they do any more than give a part of the profits to the workers? Could they, in fact, do any more than the present management is now doing with the business?

Now, everyone knows that the present business is operated by men who know how to run it—by men who have, in fact grown up with it, and who are as familiar with it as a man is familiar with the ten fingers on his two hands. They have grown with him. He knows how to use them. I do not claim that the members of the company have any "special" ability. I have said there are just as much brains and ability among the working people as there are among the executives. Sometimes I think there are a great deal more. In fact, I think the future executives of business are the workmen of to-day. Whenever we want a good superintendent, foreman, or manager we go to the ranks and always find one there, usually better than the one whose place he or she is taking. In other words, we always improve.

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So I think the future management of business is now working at the bench. To quote from another talk I gave to our people:

"Most of you know that I have worked at the bench and carried a dinner pail. We didn't have fifteen-cent hot dinners, in my day. A couple of slices of bread, thinly buttered and a 'hunk of bologna,' and once in a while a more or less stale doughnut, washed down with cold coffee, or cold water. Now, I know what work is. I know what poverty is. I know what wealth is. I know the game by actual experience.

"I will tell you who the real millionaire is. It is the man with good health—with a happy home—with a kind and loving wife—with a nice bunch of healthy kiddies—with a clean mind—perhaps a member of some church (it does not matter which. They are all good)—with a good trade, a good job, and a decent employer—living in a decent town, with kind neighbors—perhaps in a little home of his own—not too large, but large enough—with a nice fat weekly envelope. This is the only rich man. Don't make any mistake about this. This is correct. Success beyond this brings increased care and responsibilities. The selfish use of wealth brings nothing but misery, disappointment, and suffering; the unselfish use of wealth brings responsibilities and cares. The average man with enough and not too much is the real millionaire."

There is to-day not less chance for the worker but more chance than at any time since the world began.

WILLIAM R. BASSET

WILLIAM R. BASSET has probably had a greater personal and organization experience in all phases of business than any other man in the country. Beginning as an accountant with the industrial engineering and accounting firm of Miller, Franklin & Company in New York, he quickly became a member of the firm and chief of the accounting division. From strict accounting he went into cost accounting, and through cost accounting into industrial engineering, which has as its end the eliminating of waste motion and the stimulation of production. His company, of which he is now president and which is known as Miller, Franklin, Basset & Company, has revamped and rearranged the business of more than 1,500 concerns—mostly large units. The modern industrial engineer and cost accountant differs from the older efficiency expert and accountant in that the modern man recognizes acutely the human element as the controlling factor. It is in this respect that Mr. Basset has been so eminently successful, or as he expresses it, “in the application of common sense and a detached viewpoint to the ordinary business problem.”

He has written extensively on business problems, and is the author of “Accounting as an Aid to Business Profits” (A. W. Shaw Co.) and “When the Workmen Help You Manage” (The Century Company), besides numerous pamphlets on industrial and economic topics.

SCIENTIFIC ACCOUNTING

WILLIAM R. BASSET

BOOKKEEPING is a history of transactions—accounting is (or should be) the constructive record of a business. It should show not only whether the business is being run at a profit or at a loss, but the causes back of those results. Note that I say “is being run,” not “has been run.”

The principles of accounting which I shall outline are all designed to give a current record of the business with the “why” of profits and loss. Only through frequent statements of the condition of a business can an owner be guided in his policies. Conditions frequently change over night, and the successful man is the one who knows of these changes quickly enough to shift his policies almost as soon as the conditions change.

We must have bookkeeping; it is an essential part of accounting, but bookkeeping is not an end in itself. It is only a tool.

Good accounting will point out why money is made and where. But it is the man and not the records which will make the money. There is no “best system.” The best system is the one which at the least cost shows where profits or losses are being made, and why, and which gives that information in time.

There is no universal system. I honestly believe that it is less dangerous to have no system at all

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than one “slapped in” without being carefully fitted to the needs of the particular business. The most important consideration in installing accounting systems is to fit the system to the needs.

For the established business a comprehensive method of accounting can be planned at once, but it should be installed step by step. Each step should be in thorough working order and understood by all concerned before the next is taken up.

Occasionally, depending upon the size of the concern and the complexity of its transactions, the installation can be made in a few days. More often, however, it takes from six months to a year.

That few people in business know their exact costs is evident to anyone who studies the subject.

It is not at all difficult to arrive at accurate costs—nor even to get a monthly profit and loss statement of the business by lines of product and by departments. This is needed to show where to apply corrective efforts.

Let us take a simple hypothetical example—that of a concern doing a \$200,000 business annually. Its profit and loss statement might look like this roughly:

Sales	\$200,000
Manufacturing cost	180,000
	<hr/>
Manufacturing profit	\$20,000
Selling expense	\$14,000
	<hr/>
Net profit	\$6,000

From such a statement as this no clue can be found as to why only \$6,000 was made that year. But suppose this concern, which made three products, had used such a statement as this:

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	Product No. 1	Product No. 2	Product No. 3	Total
Sales.	\$100,000	\$60,000	\$40,000	\$200,000
Mfg. Cost.	96,000	50,000	34,000	180,000
Mfg. Profit.	4,000	10,000	6,000	20,000
Selling Expense	7,000	4,200	2,800	14,000
Net Profit. . . . .	.....	5,800	3,200	6,000
Loss.	3,000	....	....	....

This statement would undoubtedly have an effect on the future sales policy, for it shows, apparently, that a loss was taken on product No. 1, an unsatisfactory profit on No. 3, and a fair profit on No. 2. The product which comprised one-half of the total business was losing money—the largest margin of profit lay in the product making up only 30 per cent of the total sales.

But the loss on product No. 1 may have been due to poor manufacturing methods which could be changed, if known. This report does not show that, with the result that No. 1 might be discontinued when, as a matter of fact, it held great potential profits.

So we can reduce this statement to a unit basis like this:

	Product No. 1	Product No. 2	Product No. 3	Total
Sales.	\$100,000	\$60,000	\$40,000	\$200,000
Mfg. Expense.	94,000	47,000	33,000	174,000
Mfg. Profit.	6,000	13,000	7,000	26,000
Selling Expense.	7,000	4,200	2,800	14,000
Profit.	8,800	4,200	12,000
Loss.	1,000
Loss Due to Abnormal Expenses.	6,000
Net Profit.	6,000

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This shows that the loss was due to excessive expense, but does not locate accurately who is to blame. But with a departmental analysis of expense the blame could be localized.

Here is such a subsidiary report showing where the \$6,000 abnormal expense occurred:

	Gain	Loss	Reason
Department A.....	\$400	....	Large production
Department B.....	....	\$750	Repairs
Department C.....	....	4,100	Low production and heavy spoilage
Department D.....	450	....	Low nonproductive labor
Department E.....	....	1,000	Excessive nonproductive labor
Department F.....	400	....	Increased production
Department G.....	....	1,400	Low production
	\$1,250	\$7,250	
Net loss due to abnormal expense. ....	....	\$6,000	

This report shows at once that most of the loss was due to department C, and shows what caused it. Proper steps to remedy the trouble could then be taken.

The labor cost as well as the overhead expense may well be reduced to a unit basis. Such a labor cost report might look like this:

	Gain	Loss
Department A.....	....	\$250
Department B.....	....	450
Department C.....	....	4,900
Department D.....	\$800	....
Department E.....	1,400	....
Department F.....	400	....
	\$2,400	\$5,600

This statement shows where inefficient labor is reducing the profits as a whole in department C.

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With all of these reports the final statement of the business may be built up to show, not only how the business stands, but where and why the losses and gains were made.

	Product No. 1	Product No. 2	Product No. 3	Total
Sales.	\$100,000	\$60,000	\$40,000	\$200,000
Mfg. Cost.	92,000	47,000	31,800	170,800
Mfg. Profit.	8,000	13,000	8,200	29,200
Selling Expense.	7,000	4,200	2,800	14,000
Profit.	1,000	8,800	5,400	15,200
Loss Due to Abnormal Ex- penses. ....	....	....	....	6,000
Loss Due to Labor Ineffi- ciency. ....	....	....	....	3,200
Net Profit. ....	....	....	....	\$6,000

This shows instantly that it is not selling expenses which is eating up profits, but abnormally high manufacturing and labor expense. With the subsidiary statements the executive knows just where these losses occurred, and so has a definite guide to betterments.

This segregation of expense can be refined to any extent. Where, as is sometimes done, all expenses of the business other than direct labor and material are dumped into a "general-expense" item, it is usually hopeless to effect intelligent economies. I know of one concern which, with a modern accounting system, did away with the old "general expense" catchall, and made economies amounting to thousands of dollars a year through eliminating or cutting down expenditures for personal stationery, taxicab bills, entertainment of prospects, long-distance phone calls where letters would have done, and so on.

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It is not my intention to go into a discussion of the mechanics of bookkeeping—these are familiar to most men. It is rather my purpose to show in this article how the various accounts used can be made to increase the profits of a business. Individual books will not be described in detail.

Since a purchase is usually the first step in any business deal, we will start our detailed study with the savings that may be made in buying through proper purchasing records. Proper accounts constitute more than a mere history of what has been bought. Price, quality, and quantity are all factors—and the records should not only show how these factors have, in the past, affected the business, but should indicate the future policy to be followed.

The records must indicate the proper balance to be kept between these three factors, to the end that a low price may not cause losses through tempting the buyer to purchase inferior material, nor to tie up capital in an unjustifiedly large stock in hope of speculative profits.

The turnover of capital is frequently hindered through swollen inventories of raw materials purchased without accurate knowledge of requirements. To avoid this, the closest of relations should exist between the stock and purchasing departments. Buying may usually best be initiated by the stock room when the stock of a material approaches a previously set minimum based upon average requirements.

It seems too obvious to need comment that an accurate knowledge should be had at all times, not only of what is in the stock room, but where it is. I

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have seen duplicate purchases made solely because the needed material, although in stock, could not be found. A stock card can easily be designed to show, besides the maximum and minimum quantities, the amount of any material ordered, received, issued, and balance on hand. It is little trouble for a clerk to keep them up to date from the purchase orders and shop requisitions, and they afford a simple check against failure to purchase as well as against over-purchasing.

Several records are required in the purchasing office itself, one of the important ones being a quotation card for each commodity. This shows not only the concern with which each order has been placed, but the price paid, the quality of the material, the time taken for delivery, and other information bearing on the desirability or undesirability of past sources of supply.

To keep the purchase records straight at least three copies of the purchase order should be made: one for the supplier, one for the purchase office files, and one for the receiving clerk. Sometimes it is desirable to have other copies made, the individual conditions governing.

A valuable safeguard is to have the quantities ordered omitted from the receiving clerk's copy, the shipper and nature of the material appearing only. This necessitates an actual count of incoming material.

When incoming goods have been counted, the receiving clerk sends a material receipt to the purchasing agent. This and the order are checked against the invoice and sent to the accounting department.

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The accounting department enters the invoice in the charge register, showing the name of the seller, the date, and total amount of the invoice. When paid, the date, and department of the business to which the goods paid for are charged, are entered on the charge register opposite the item. The charge register is an effective short cut developed by modern accounting.

Under old accounting methods it was necessary to make three entries in the ledger and journal. With the charge register only one is needed, thus eliminating effort and much chance for error.

The charge register can be adapted to the needs of any business. For instance, to take care of part payments, contra claims, and returns, a column headed "debit accounts payable" may be added. Sometimes a concern both buys from and sells to another. A "general-ledger" column will take care of such transactions which otherwise require journal entries.

All outgoes of a business come under one of the following heads: Materials and supplies; labor; factory overhead; selling overhead. Therefore, the charge register is ruled so that all disbursements may be directly allocated to one or another of these heads. They may be further subdivided if desired.

In the small business this subdivision may be made minute enough so that the charge register is all inclusive. But in the business having a multiplicity of accounts it is better to make the charge register a controlling account with the details carried in subsidiary accounts. Numerous checks are available to safeguard the entries in this handy tool—the charge register.

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So much for recording what a business has purchased and therefore must pay for. We now come to the method of handling the accounts payable. Close contact is, of course, necessary between those individuals who buy the goods and those who pay for them, to prevent chance of overpayment, and to assure that sufficient funds will be on hand to meet future requirements.

The duplicate purchase order, to which are attached the material receipt and the invoice, constitutes the authorization for payment. As cash discounts are usually well worth taking, bills bearing them will, of course, be paid first; the others in the order that they become due. To guard against oversight, some form of maturity file is convenient. At the same time it is a desirable guide in preventing bills being paid before they are due, thus allowing the concern to earn the maximum interest on its bank balance.

Now we come to the method of payment, which formerly was done by hand-written check entailing three operations—writing the check, writing the stub, and entering in the cash book. Each operation is slow, cumbersome, and offers a chance for error. The modern way is to use the typewriter and cut out two of the operations by means of the voucher check. A good form of check carries with it a perforated stub which is torn off by the recipient and shows him just what items the check covers. The act of typing the check and stub gives a carbon impression which when bound with others makes up the disbursement side of the cash book.

Small expenditures usually are paid from a petty cash fund. To guard against loss here it is well to



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use the so-called "impressed cash" method by which the cashier is given, say, a fund of \$100 for which he must always be able to show either currency or receipts.

Wages amount in most concerns to a large outgo, requiring careful checks against error and accurate distribution to various accounts. Unfortunately, in large concerns, it is comparatively easy for persons in positions of trust to put the names of dummy employees on the pay roll. Payment by check, which unfortunately is not always possible, is an absolute safeguard against this practice. By this means one concern saved \$15,000 in a single year.

Where pay-roll checks are feasible, the same method can be used as in the voucher-check system. One concern has columns on its check headed "productive labor," "nonproductive labor," "piece work," "deductions," and "total." These register over similar columns on the pay-roll sheet, giving a complete pay-roll distribution at the same time the check is typewritten.

After the check is made out, the invoice is marked "paid" and filed. The cash sheet (the carbon copy of the check) shows us where the invoice was entered in the charge register. If they agree, the date of payment is stamped in the proper column of the charge register, and the item on the cash sheet checked to show that the two agree.

This method saves a great amount of time over the old way of making four entries in the accounts payable ledger, and by writing the checks, etc., by hand.

The next step is to sell the goods. Accounting can be made a valuable guide to marketing if the proper

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records are kept and the figures analyzed with good judgment.

For instance, accounting shows the way to boost the sales of profitable commodities rather than the "leaders" which so often must be sold at little or no profit.

A careful analysis, considering the cost of the goods and the cost of reaching the markets, may also be used to determine which of the channels of distribution will be most profitable: whether to sell through a single commission agent, through wholesalers, direct to retailers, or even direct to the consumer. Guessing at such a vital policy is unsafe, and yet many a concern bases its selling largely on guesswork.

Now for the recording of sales. The old method was to copy all of the invoices in detail in the sales book, a most laborious and unnecessary proceeding which may have done in very small concerns, but would be absolutely out of the question in the large modern business houses.

The modern method is to utilize a sales sheet containing columns headed to correspond to the sales-ledger divisions. This, together with the invoice, is filled out at one time on the typewriter or billing machine. The larger concern and the one whose business is more complicated must have a somewhat more elaborate method. There is no one system which will do for all. The following method includes practically all the fundamental considerations that must be covered in any system.

The first principle is to make as many records as possible at the time the invoice is made out. A standard form of sales book the same width as the

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invoice may be used. From the shipping clerk's record of the shipment the billing clerk makes out the record. This consists of the invoice and the copy which goes to the sales book. Any additional copies may be made at the same time which are required for the cost department or for other records. Sometimes the original and duplicate bill of lading are also written. One of the copies made out by the billing clerk may be sent to the sales-ledger clerk, who makes out another set of records. Very often the original made by this clerk is the monthly statement to the customer, while the carbon copy is used as the accounts receivable ledger. This method provides ample checks on accuracy.

When selling is handled by a jobber or commission agent, it is a simple matter to arrive at the selling expense. When, however, a manufacturing concern maintains its own selling organization the accounting becomes more complicated, as it includes salaries, expenses, commissions, advertising, office expense, and so on.

We now get to the question of handling the cash. In the first place, I want to say a word or two about the collection of small accounts to which frequently more effort is given than is warranted from a dollars and cents standpoint. This subject is brought up in order to show one more way in which good accounting systems can be made to bring profits. The concern which I have in mind had about three hundred and fifty accounts averaging less than 50 per cent each, most of them being disputed. An analysis showed that two years had been spent in trying to collect these accounts, and an average of more than \$2.80 apiece had been expended in the effort to col-

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lect! This covered sending monthly statements and dunning letters. Obviously this is poor business which would not have been shown up except through proper accounting methods.

Most business men are acquainted with the ordinary form of cash book which is used for recording receipts. It is better to use a modified form on the reverse of the cash-disbursement sheet which I have already described. The entries are made on the typewriter, in an average of about half the time necessary to make the long hand entries in the old cash book. Some owners want to know daily the total receipts of the business for that day and for the month to date. This can be done with a form showing only the receipts side of the cash book. It can readily be made to show not only the receipts but the distribution of the receipts in the various banks of deposit, together with the totals of checks drawn upon each bank. The difference, of course, shows the balance in each bank.

In the old days, books were actually closed, usually yearly, in order to arrive at the profit or loss. To-day the formal closing of the books is not necessary. At the same time, most progressive concerns wish to know the results of their operations more frequently than yearly. Usually, it is best to close the accounts yearly, but to determine the profits more frequently a trial balance which will give the needed information can easily be taken once a month. The starting point in determining the profits for a period is to take an inventory. Many concerns, even now, find it necessary to shut down operations as long as a week in order to take an actual physical count. A carefully kept perpetual inventory makes

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this unnecessary. Many concerns find it unnecessary to check the perpetual inventory by taking a complete physical one, but rather have the stock clerks daily check certain items physically against the perpetual records. This is especially true in a manufacturing business. In a retail store, on account of the great variety of items, it is usually impracticable to attempt to keep an accurate perpetual inventory. An actual count must be taken.

Accounting hardly has a bearing on the methods of determining the exact quantities of materials on hand, but good accounting has laid down rules for arriving at the value of the materials. First, they should be valued at cost. If, however, cost price is greater than the market price, the market value should be given them. If the cost is lower than the market, they should be valued at the cost price. In other words, value all materials on hand at either cost or market, whichever is lowest. This may seem illogical, but it is at least conservative, and is approved by bankers and conservative business men.

While it is a comparatively simple matter to ascertain accurately the exact amounts of raw materials and finished goods on hand, it is far from a simple matter to appraise partially finished goods, or, as they are usually called, "goods in process." These goods contain values representing not only the material, but the labor and manufacturing expense which has gone into them. To arrive at the exact value of these and of finished goods a cost system is necessary. It is bad practice to value the finished goods at the prospective selling price. This may be far from their actual value—they may not be sold.

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The purpose of closing the books is to determine how the business stands. This is shown through the medium of the "statement of condition," or, as it used to be called, the "balance sheet." The statement of condition is exceedingly important; where it is neglected, a suspicion is always aroused that there is a good reason for failing to prepare the statement.

The form in which the statement of condition should be presented is well standardized, due to the demands of bankers and credit men. It is the summary of the assets and liabilities of the business and should, therefore, be supplemented with schedules showing each item in detail. Both assets and liabilities may be divided into those which are current and those which are fixed. The first are those which must be liquidated as part of the current operation of the concern. The others are those which are of a more permanent nature. Fixed assets are those which are necessary to the operation of the business and are usually not disposed of as long as the business exists. Buildings, land, and so on, comprise these assets. The quick assets are those which result from the operation of the company, and comprise inventories, accounts, and notes receivable, and cash. Fixed liabilities are those of longer term, such as long-standing bond issues, capital stock, and so on, while current liabilities comprise principally accounts and notes payable.

In order to get a correct present value for the fixed assets, it is necessary to depreciate them from year to year. This is an important bookkeeping entry. The amount by which the various items should be depreciated calls for the best judgment of any business man. Too small a depreciation may be used to

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cover trading losses, while too great a depreciation may indicate losses which do not occur.

It is well to show the detail of the accounts receivable in a schedule attached to the statement. This may well group the accounts as to age, so that the executive may have an idea as to their relative values. For, usually, some of the very old accounts are of doubtful value. It is, of course, foolish to be overoptimistic as to the collection of old accounts.

It is also well to list on a schedule the notes receivable.

Remember that it is largely on the strength of the statement of condition and the related schedules, itemized into various accounts, that the banker or the prospective investor will pass his judgment as to the worth of a concern. The banker, especially, is interested in the relation between the quick assets and the quick liabilities, practically to the exclusion of the fixed assets. This is because he wants to be sure that a loan he makes will, in the course of the business, be self-liquidating. In other words, he wants to see where the money is going to come from in thirty, sixty, or ninety days to pay the note that you give him. This is one reason why it is good practice to list the age of your accounts receivable, as it gives him an indication as to what money you can expect to collect in the near future. It is also an indication of your business ability.

While the statement of condition shows the owner just where he stands, there is another, the statement of operations, which shows him how he arrived at that condition. This is the statement of operations that shows by what means the profit was made, or,

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if there was a loss, what pressure should be brought to bear to change the loss into a profit. The statement of operation begins with the gross sales from which are deducted, first, allowances for returns, freight, trade discounts, and so on. This gives the amount of the net sales. From this must be deducted the cost of the goods sold, which, of course, comprises cost of raw materials, the direct labor, and the factory overhead expense. Subtracting the cost of goods sold from the total gross sales, gives us the manufacturing profit. From this we deduct the administrative and selling expense, which gives us the net profit from manufacture. Many concerns have other minor sources of income, such as dividends received on securities owned, discount taken on purchases, and so on. This income, added to the net profit from manufacture, gives the total income of the business. From this we deduct such items as interest paid, money set aside for reserves, and dividends declared. The amount remaining comprises the undivided profit, or surplus, for the period.

Cost accounting differs from accounting proper in that it is a record of the activity of the concern, while accounting itself is simply a recording of accomplished facts.

A knowledge of costs does more than reveal the current profits of the business. Accurate costs are a good starting point for every industrial betterment, whether they be in methods of selling or in manufacturing. Their value is not confined to the manufacturer. Any business can profit by them.

As with accountancy proper, it is not necessary that cost records be complicated in order to be of

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value. The contrary is true. Of course, for a highly complex business the cost system cannot be as simply and inexpensively operated as for a small, simple business. Here, too, there is no single system which will serve all needs. There are no two businesses, however much alike, that could use exactly the same methods.

Fundamentally, the cost of any product consists of materials, labor, and overhead expense. In the trading business direct labor may not be present. In the professional business materials may not enter into costs. In order, however, to cover all phases, I shall consider a manufacturing business in which all three of these divisions appear.

The accounting for material and labor is simple. It is usually easy to determine just which material actually goes into the product and which material is necessary for the manufacture, but does not enter the product. In the manufacture of furniture, for instance, wood, hardware, and so on, actually go into the product, and are, therefore, direct material. Others, such as sandpaper, do not appear in the product, but are necessary to the production. They are supplies and appear in the overhead. Labor, too, has similar divisions. The workman who actually makes the product supplies direct labor. The janitor who makes it possible for the productive worker to do his best is indirect labor, and his wages go into the overhead expense.

It is in the allocation of the overhead expense that most cost inaccuracies occur. This is because the bases of dividing this expense among the various lines of production vary.

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In order to get an actual knowledge of how much material goes into the product, usually all that is necessary is that materials be issued from a stock room on requisition, and that a copy of this requisition showing just which lot of goods the material is to go into be sent to the cost department for entry on the final cost sheet. The supply materials, such as sandpaper, belting, waste, and so on, are also issued on requisition, but charged into the overhead of the department using them. In order to be sure that all materials will be properly accounted for, it is necessary to make sure that it is impossible for foremen or workmen to obtain materials without a record going to the cost department.

As with material, labor is classified for cost purposes as either direct or indirect. These classifications are sometimes referred to as "productive" and "nonproductive." It is easier to take care of the labor cost than to account for the material. However payment be made, the direct labor charge is recorded for each lot of articles on a properly designed form, and is segregated by the cost department to the job. As a check upon the accuracy of the labor cost, many mechanical devices are available, the one to be chosen depending upon conditions to be met. In order to catch inefficiencies, some form of record is desirable. One frequently used is the "operation cost record," on which the cost clerk enters the actual time for each operation against the standard times which have been set. Much the same kind of form can be used in comparing the efficiency of machines.

The indirect labor is charged into overhead expense, being segregated to the various departments

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for which the work is done. In one plant the cost system showed inefficiencies in the work of the janitors. They were eliminated, resulting in a saving of over \$1,000 a month. Prior to the installation of the cost system, this waste had been going on for years unsuspected. If the pay roll is analyzed to show for each department the total paid, the direct labor, the indirect labor, total number of hours, and the operating rate, it will give information of the highest value. Such a summary could also be used as a control of the labor cost of production.

By comparing the departmental labor cost with the production report, the labor cost for each unit is obtained. This may be used to compare each week's work with the preceding week and with other preceding periods. The pay-roll analysis also makes possible an intelligent comparison between indirect and direct labor in any department.

Most cost systems which fail do so because of the incorrect handling of the overhead expense. As we have seen, it is merely a question of clerical accuracy to determine how much material and direct labor enter the product. Judgment and careful analysis are necessary in apportioning correctly the overhead. If we are to know just what our product costs, we must get every item of cost into it.

Overhead expense may be divided into two classes: "fixed expense" and "fluctuating expense." Fixed charges consist of rent, taxes, insurance, depreciation, and so on. This expense seldom varies appreciably whether or not the plant is running at full capacity. The fluctuating expense is of two kinds. First, the expense of contributory departments, such as power, light, stock room, receiving and shipping

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rooms, office, general superintendents' and executive salaries. These fluctuate to a degree with the volume of business done, and operate for the benefit of the factory as a whole. The second division of fluctuating expense is that of the productive departments. These departments are those which actually work upon the goods. The charges are such that they cannot be charged directly into a particular item, and include such charges as those for supplies, trucking, janitor service, and department foremen's salaries.

We list all of the items of fixed charges on what we call the fixed-charge sheet, from which they may be transferred to the other records of the cost department.

For the sake of arriving at a correct distribution of the overhead expense we divide the plant into departments, which may or may not be physically separated. The general rule is that in a single department there shall be machines of like values and of similar operation costs, or labor divisions in which the wages are on approximately the same scale. These divisions are not necessarily the same as the common factory divisions.

The fixed-charge sheet lists the departments, the floor space occupied by each, and the comparison of the floor space to the total of the factory. This percentage determines the amount of building taxes, building insurance, and building depreciation to be charged to the individual department. Other items, such as the value of machinery, are divided among the departments in the ratio that the amount of machinery in a department bears to the total value. The sum of these two ordinarily constitutes the fixed charge which each department shall bear. Ordi-

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narily, this is figured for the year and divided by twelve in order to get the monthly burden.

The expense analysis offers the only accurate method of dividing overhead expense in such a way that ultimately it will all enter into the final cost of the product. Each department, whether productive or contributory, has an expense analysis sheet. It is arranged so that the total expense for the department is comparable with the same month of the preceding year, and the total to date for the year comparable with the same period of the preceding year. This ability to compare the expenses makes the expense analysis a valuable source of information on which to base improvements in methods.

First take up the analysis for a contributory department—the power department. On this expense analysis sheet are listed all of the expenses of the department for the month, consisting of coal, waste, replacements, repairs, coal handling, lubricants, engineers, firemen, and so on. This is the total controllable expense of the department—those which vary with good or bad management. To them are added those expenses which are out of the control of the department foreman. They are: share of fixed charges, share of administrative expense, and so on. This gives the total power expense, from which is easily determined the cost per horsepower.

The total expense of this department must now be distributed to the product. The first step is to assign to each productive department its share of the expense of the power department. The amount of power expense borne by each department is dependent upon the amount of power used by it, a comparatively simple matter to determine. The ex-

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pense of the other contributory departments is covered in much the same way and divided among the productive departments in accordance with whatever method is most accurate.

Other of the contributory departments do not so readily admit of having their expense divided to the productive departments. Therefore, it is necessary to open two other accounts—"administrative and general factory expense" and "selling expense." Dependent upon whether the expense of the contributory departments is incident to manufacturing or to selling, their totals are carried to one or the other of these accounts.

We now distribute the administrative and general factory expense to the productive departments. It is in distributing this administrative and general factory expense into the productive departments that the greatest care must be used. At first glance, perhaps, it may seem logical that if a factory turning out 50,000 articles a year has a general factory expense of \$50,000, that the charge should be \$1 to each unit of output. This, however, would seldom be accurate. If the product consists solely of one type of article and the operations were always identical, this method would be accurate. If, however, a concern is turning out a multitude of articles of widely varying designs, some small and simple, others large and intricate, the method obviously is not accurate. By the same token, it is not accurate always to distribute this overhead on the basis of the cost of the raw material, nor on the basis of the amount of labor entering into it. It is not my thought to enter deeply into the method and the whys and wherefores, for every industry differs

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in this method of apportioning expense. Let me, however, call attention to the fact that, if we were to use cost of material as the basis, we would run, in some industries, into absurdities. A manufacturing jeweler, for instance, might make two rings, identical, except that in one the material would be gold and in the other silver. The labor very likely would be the same for both, but if we were to distribute the overhead on the basis of the material cost, we would have to charge the gold ring with several times as much overhead as the silver one.

There is, however, a basis which, with a few exceptions, is accurate. That is what is known as the "productive hour method." It is usually accurate to distribute the general factory expense to each productive department in the ratio that the productive hours of that department bear to the total of the productive hours of the factory. This will be accurate only if the departmental divisions have been correctly determined. In others the machine hour may be a safer guide. In others the so-called "labor dollar" must be the basis. It is because of this need to determine upon the right method of distributing the overhead that so much thought and study must be given to the industry and to the individual plant before an accurate cost system can be installed.

Having determined the correct method for the individual plant, the determination of the total cost is simple. Each productive department now has a sheet carrying on it the direct expense of that department in labor and material, a share of the fixed charges, and a share of the contributive departmental expenses. The total of this is the cost of all

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of the material produced by that department. The sum of the cost of all of the productive departments which have performed an operation on a given product, divided by the total number of units produced, is the final cost of that unit.

There is one other factor to consider, which is, that the overhead does not fluctuate directly with the amount of production. When the factory is busy the cost of the unit is lower than when the plant is operating below capacity. This may well be taken care of by determining a cost based upon an average output. This gives what we call a normal operating rate. We then set up an abnormal business account, which is debited with the excess amount when the current overhead rate is below the normal. In this way, when the plant is running full, a reserve is created and serves to carry over the losses which accrue when business is bad and the plant entirely or partially inactive. At the end of a fiscal period the excess is credited to surplus. This method takes into account the fact that the factory is not responsible for the amount of work in it and should, therefore, not be held responsible for costs which are high, due perhaps to the failure of the selling force to provide enough work. This method is of great advantage to the executive in figuring costs for estimating purposes, in dull periods. It is entirely possible that a machine which, with the plant operating at full capacity may cost \$1,000 to make, might in periods of slack business cost \$1,300, due to the smaller amount of output over which the overhead must be divided. If, knowing this, the executive feels it necessary to figure his selling price upon the actual increased

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cost, he would be getting himself deeper and deeper in the hole through inability to sell at the higher price. If, however, he figures his normal cost, he is in a better position to increase the amount of the business in the plant and so get back to a normal operating condition.

The contributory department expense which does not go into "general factory" goes into "general selling expense."

The expense analysis of the selling department is gotten up in the same way as for any other department, the divisions being as detailed as the executive desires. Sometimes it is well to carry this subdivision out quite minutely in order to determine the relative profit at selling by various methods and in different territories. Each salesman may be given a line on the expense analysis, so that it may be seen at a glance just how profitable he is to the company and how he compares with his fellows. The information so arrived at may be of great value in determining the proper remuneration for each man.

As we have seen, business accounts show the exact condition of the business. The critical figures in determining this condition are the inventories which cannot be obtained from the general books, but must be obtained by a physical count, a most expensive and clumsy procedure. The cost system gives us the missing figures. It tells us what is back of the materials and labor purchased, how and in what amount they have been transformed into goods in process or into finished goods, and the total amount which the goods sold have cost. Checking the cost figures back into the general books, while

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compiling a statement of condition, also checks the accuracy of the cost figures.

Throughout this article I have had in mind the accounting problems of a manufacturing concern, because that type of business offers all of the complexities that are to be found either in general accounting or cost accounting. For mercantile establishments, such as retail stores or jobbing houses, the accounting is much more simple, although the fundamentals are the same. Concerns furnishing a personal service present even more problems.

I want to leave two points definitely in the mind of the reader. First, that the fundamentals of good accounting are the same, no matter what the business; and second, that the plan or system should be just as simple and inexpensive as possible. Figures in themselves are of no value. It is only by having them in significant form and translating them into terms of the business itself that accounting is of value.

L. S. BITNER

MR. L. S. BITNER is one of the several personnel men to whom the war brought increased opportunities for service and development. Before the entry of the United States into the conflict he was employed by the DuPont Company at its Hopewell, Va., plant as plant accountant and secretary to the general manager. When it was decided to reorganize the employment work of the company, he was made employment manager, and he installed and supervised the employment work for a force ranging between 14,000 and 18,000 employees. The employment department was finally made a division of the service department, and Mr. Bitner was appointed assistant service superintendent and later, at the Seven Pines Loading Plant, service superintendent. The ending of the war and subsequent closing of the munition plants of the DuPont Company led him to accept the position he now holds, superintendent of the employees' service department of the Procter & Gamble Company, operating five plants and employing more than 8,000 men and women.

Prior to his association with the DuPont Company, Mr. Bitner spent three years in China, Japan, and the Philippines (salesman), and five years in Alaska (railway and mining). He is a Pennsylvanian, a graduate of the First Pennsylvania State Normal School, and of Franklin and Marshall College. He is thirty-two years old.

EMPLOYMENT METHODS

L. S. BITNER

TWELVE years ago there were no employment managers. The "science of handling men" was not so recognized, and the need for trained and capable executives in industrial organizations having complete charge of this work was unheard of. With the new well-known meeting of men for the study of employment problems in Boston as the forerunner of the movement, it has grown until industrial relations departments, personnel and service departments are becoming well-established, integral parts of the industrial machine everywhere. Starting with the then unusual idea that an executive, rather than a clerk or a department foreman, should control the entrances to and exits from the factory, the employment manager has grown with his job, which has become more and more comprehensive. The Industrial Relations Department of to-day, comprising control of employment, safety service, hygiene, and all the thousand and one branches of "service" work, is the logical outgrowth of the employment department. The employment manager of yesterday has become the personnel director of to-day.

It is this expansion as well as the matter of terminology which makes the subject of "Employment Methods" ambiguous. In some industries the name "employment" has still been retained to cover

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all the activities of the Industrial Relations Department; in others it is used to include only the employment division of that department. For the purposes of this paper the latter usage will be understood, and only the functions of the employment department proper will be outlined and discussed.

The modern employment department is intrusted with the supervision of the following functions of management:

1. Developing sources of labor supply.
2. Supervision of entrances. (a) Interviewing. (b) Examining. 1. Physical. 2. Mental. 3. Technical. (c) Placing on the job.
3. Actual or advisory control of employee while on the job. (a) Training. (b) Promotions. (c) Demotions. (d) Transfers.
4. Actual or advisory control of working conditions. (a) Standard wage rates. (b) Standardized occupations. (c) Job analysis and time study.
5. Actual or advisory control of employee relations. (a) Investigation of complaints. (b) Suggestions and awards. (c) Employee representation. (d) Personal aid; loans to employees.
6. Supervision of exits. (a) Lay offs. (b) Quits. (c) Discharges. (d) Pensions.

As the primary function of the employment department is the securing of a stable working force, the employment manager must thoroughly develop every source of labor supply. He will do this by first investigating and analyzing the community near by the factory. This may be done by a canvass and actual solicitation and tabulation of the available workers, together with recommendations and data secured through present employees. There are

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numerous methods of advertising the job to the prospective worker in addition to personal solicitation—newspaper advertising, other publicity mediums (car cards, moving-picture theaters, etc.), the public or private labor exchange, through the plant foremen, and by applications to the employment office. All of these methods will be found valuable, but stress should be laid on the easy and obvious methods of securing new help through present employees. The "labor scout," so active during the recent war period, is in no sense as efficient as the satisfied employee who is commissioned to bring a new employee into the industrial family.

The trained employment executive will strive to "localize" his force near by. The applicant who does not have a long trolley ride every day to and from work, but who lives within walking distance will be favored over the one less advantageously located, because an analysis of labor turnover will have shown the employment manager that the worker who lives near his work is not so likely to leave as the man who has to spend several hours each day in traveling. Transportation will naturally have to be studied; the local community, the district and the geographic location of the plant in relation to competing industries.

Whatever the methods used, it is distinctly the job of the employment department to be able to fill the factory demands for labor, and this cannot be satisfactorily accomplished unless a thorough study is made of all available sources and methods of exploiting them.

Having attracted a supply of prospective employees sufficiently large to allow for selection, the

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employment department will be charged with the task of interviewing according to the class of applicants and the nature of work applied for, i. e., unskilled, semiskilled, and skilled. A clerk at the plant gate acts as a "sieve," turning back the obviously unfit for the work required, and sending on into the employment office such applicants as are deserving of an interview. There the *unskilled* applicants are first interviewed. This interview is always less exhaustive than that afforded to other applicants; also usually less private. A trained interviewer can select a laborer by the common practice of "calling from the line" and asking a few questions, with reasonable success. Actual fitness for the work in hand will be determined by later physical examination.

Not so simple is the interview necessary in the case of *semiskilled* and *skilled* employees. A private interview should be given, and a thorough examination of the qualifications of the applicant made. The interviewer will be assisted in his examination by such forms as are provided—application blanks, trade test questions, record cards, etc., and a complete knowledge of the work to be performed. It is not in the province of this article to lay out a set of suggested forms for interviewing and selection, or for any other phase of employment routine. Too many plants have been fitted with a "ready made" rather than a "custom made" set of rules and forms, with usually disastrous results. It is fundamental that each business should require its own individual records and methods. There are certain standards, familiar to every employment man, which can be used to start the new department, but the final work-

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ing out of the "specifications," if they may be so termed, of the routine of hiring, continuation in employment, transfer, and exit of the employee will be based on actual local requirements, and will be the result of a process of development.

It may be apropos to state at this juncture that the well-run employment office will have very few "forms." It is very easy to install a multiplicity of "red tape" which theoretically will provide immediate information regarding any employee, at any time. It is very much more difficult to require and use only those which are essential.

Trade tests, when properly worked out, have been found valuable in the selection of skilled workers; psychological tests have their advocates, who aver that by their use the fitness of an applicant in certain lines may be definitely ascertained. Whatever method is used, the interviewer must be thoroughly conversant with the requirements of the job to which he is trying to fit the man; he must be absolutely truthful in his presentation of the working conditions, and he must be a reasonably good judge of human nature. In many factories department foremen are asked to pass on the qualifications of applicants tentatively selected by the employment department, particularly in the skilled trades, and as this practically involves the "committee system" of interview, it works well.

Actual hiring can be done only by the employment manager for those positions which are listed as "open" on his books. A requisition for men is his only authority for additions to the pay roll; but he will never allow good men to apply for work without an attempt to place them, even though he has no

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requisitions, and, failing this, he will retain an application to be used as soon as a position is available.

When a satisfactory interview has been completed—satisfactory to the employment department from the standpoint of the applicant's suitability for the job, and to the worker as to rate of pay, working conditions, etc., the next step is the physical examination.

The physical examination is becoming almost universal, and the employment department which does not use this method of "confirming selection" will soon be the exception. A part-time or full-time doctor, depending on the size of the plant, makes such examination as is standardized for the industry. These standards will vary owing to local conditions, but the physical examination may be stated briefly to attempt to (a) determine the physical fitness of the applicant for light, medium, or heavy work, or total unsuitability for any work, (b) exclusion of infectious diseases from the main body of workers, (c) exclusion of applicants having a marked tendency toward occupational diseases, (d) protection of mutual benefit of insurance plans, and (e) exclusion of workers who are probably physically unable to prevent themselves from being hurt.

Dental examination supplementing physical examination is being widely used. Both dental and medical examinations should be used for their "follow-up" advantages for those employees having some physical defect which can be remedied. It is often unwise to exclude an applicant from employment who has some correctable defect; it is a very important function of the examination that such em-

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ployee be required to report periodically to the employment department or plant hospital for remedial treatment. This phase of the work is as important as the actual examination of new men.

Having "passed" such mental, technical, and physical tests as may be imposed, the employment department conducts the new worker to the job.

Too much emphasis cannot be put upon placing the men. First impressions are said to be lasting ones, and particularly is this true when starting new work in a strange place. The employment manager, in full cooperation with the department foreman, will see to it that the new man receives full instructions regarding his work. A booklet issued by the employment office gives him full details regarding safety rules, first aid, and hospital regulations, method of drawing his pay, plant regulations, the time-keeping system, a brief outline of the mutual benefit or pension system, the profit-sharing system, and the plan of representation, if there be one, etc. He is introduced to his fellow workers, and made familiar with his work, and at the same time an effort is made to instill an interest in the work of the company and its relations with its employees.

Labor turnover, that bane of the employment manager, is usually concentrated in a small percentage of the working force, which keeps "turning over," true to name, month after month. The employment man knows that if he can keep a new worker for a month, he has excellent chances of keeping him for a much longer time. He, therefore, takes particular care to see that the first impressions of the new man are as pleasant and favorable as possible. A great deal of discussion has been carried on recently

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among employment men generally regarding the right of foremen to refuse employees, hired for their departments by the employment office, without a trial. There have been a great number of arguments pro and con, and the writer does not attempt to say which procedure is best, but a plan which has worked well is here offered for consideration: foremen are given the right to reject any employee, sent them by the employment office, without a trial, *but such rejection must be accompanied by a statement in writing to the employment manager, giving reasons.* It has been found that a foreman will not go on record as refusing a new man without a well-founded reason—a reason which the employment manager is usually very glad to get. Tabulation of results of this system has shown that, generally speaking, the foreman for whom the employment office cannot hire satisfactory employees has the most quits and discharges from his department, the largest turnover. This condition soon corrects itself.

When the new man is actually on the job there is usually a necessity for training.

This may not be the case when hiring repair machinists, pipe fitters, etc., or in the case of unskilled labor, but it is a necessity for the semiskilled man, or “operator” as he is commonly called.

Where a training department is installed, the progress of the new man is defined and is regulated by required standards of performance. Sometimes such a school is under the general supervision of the employment manager, but more often, if this is the case, the employment manager will be the director of industrial relations—a growth and expansion of the department. Where there is no training depart-

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ment, the department foreman or his assistant usually undertakes the duties of instruction—with the cooperation of the employment department. The employment man cannot feel that, having delivered the employee requisitioned to the department, his job is completed. A follow-up is necessary, to see to it that the good impressions given the first day are not dispelled the second or the third, or the next week.

No job is attractive which has no outlook, which does not appear as a stepping-stone to something better. It is the duty of the employment department to chart and make public the lines of possible promotion, and to assist in making promotions. A rating system, by which ratings of all employees are periodically made by those in authority, observation on the job, investigation and examination of both the worker and his work, record of attendance and length of service, and an accurate record of individual accomplishment—these are some of the methods which may be used in determining proper promotion. It goes without saying that such promotions must be based on accurate findings, not personal likes or dislikes.

Demotions, in a similar manner, are determined by a careful investigation, but must be very carefully handled. Actual inefficiency, chronic absenteeism or lateness, questionable loyalty, and unwillingness to submit to necessary authority may often be handled more efficiently by transfer than by demotion. The transfer system involves the familiar placement of "the round peg in a round hole," when it is found that the present occupation is "the square hole." Transfers may originate at the request of the worker,

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or of his foreman, but, in either case, the permission of the foreman transferring as well as the foreman transferred to must be obtained by the employment office. The man who is not making good may be the result of (a) poor placement by the employment office, (b) incompatibility with his work, fellow workers or foreman, (c) physical incapability. In any case, he is worth another trial somewhere else, since, if he is discharged, his place must be filled by a new employee, whose fitness is as problematical and who must be trained in the same way, and at the same expense as the man who isn't "hitting the ball." It is the duty of the employment manager to see to it that the employee is given a fair chance and a square deal, even if this involves several transfers. With foreman's cooperation, a transfer system can be made to function satisfactorily; without such help, it is almost always a failure.

It is difficult to lay down any standards for the handling of wage rates or for the listing and standardization of occupations, owing to the varying requirements in different establishments. It is certain, however, that, where possible, the employment manager should strive to introduce "standard pay for standard effort," *irrespective of length of service*. This will be heresy to many employers who are still operating under the rule-of-thumb method, which gives a man a couple of cents an hour every six months. *Pay for production*; it is the cheapest method, and the fairest one. Not that length of service should not be recognized. But the employment manager will attempt to see to it that such reward does not consist in a burdening of the wage scale, but rather in an increased profit share or

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"service bonus," as the case may be, so that the plant overhead, rather than the individual department costs, will bear the burden of reward for long service.

Having listed and rated every job in the factory, it becomes a simple matter to check requisitions for new men from such a standard scale; to promote along recognized lines, and to stated wages for stated jobs; to determine and, in a measure, regulate wage cost per unit. The standardizing of wages and occupations will perhaps create some feeling when first introduced, but it makes for fairness and the square deal. Every employee knows that a certain job will pay him a certain wage, whether it be on a piece work, hourly wages, or premium, bonus or a combination wage basis, and the factory with such a system earns the enviable reputation of being "on the level."

Where a planning department is installed, the employment manager will have little to do with time study. In such industries as machine tool, automobile manufacture, etc., the time study department will set rates without his assistance. But in the smaller plant, or the plant in which the operations have not been studied, he should consider it his job to investigate not only *how much* money is paid for a certain job, but *why*. He will first make a job analysis of each of the occupations listed as standard, which will give him the physical, technical, and other requirements of the position. By comparison, conference with department heads and foremen, he will be able to assist in the correction of faulty rates in much the same manner as if the actual time study had been made.

In this connection, he will also study weekly earnings in his plant, comparing them with competing

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industries, and when necessary confer with the various foremen regarding raises. A chart of the cost of living in the vicinity is not out of place in present times, and becomes very valuable in recommending general increases in wages rates before they are demanded individually. In a word, the employment department must keep in close touch with the wage situation in every department of the factory, and of the plant as a whole.

It is practically impossible to limit, in this article, the scope of the employment department in the so-called "welfare" activities. It depends entirely on the local organization of the service or personnel department just how much of this type of work will be intrusted to the employment manager; and it also depends on the business itself and its management how many such features will be welcomed, no matter how the employment organization is outlined. It is safe to say, however, that the investigation of grievances, rendering of monetary or legal aid, supervision of mutual benefit, profit sharing or employees' representation plans will fall to the lot of the employment manager.

The suggestion system has been widely introduced, and with much success; and its operation is usually handled by the employment department. Where plans of representation are in vogue, they also are directed through this agency. Practically all non-productive activities of the plant, exclusive of time keeping and similar phases of the work, are routed through the employment department.

It is almost an axiom that centralization of employment means also complete supervision of exits from the plant. The usual procedure requires the

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O. K. of the employment department on every termination notice before wage payment is made. This ruling has been made because of the very obvious check on unfair discharges, the opportunity offered for diverting a "quit" into a transfer, and the placing, through a factory labor clearing house, workers who would otherwise be laid off. Through his intimate touch with the labor situation in all departments of the plant, the employment manager can help each one to reduce its labor turnover, and thus the total plant turnover, by a judicious handling of the exits.

One of the first "betterments" noticeable on the installation of a centralized employment department is usually a marked decrease in the number of discharges made. Foremen who know that their discharges will be reviewed by an impartial third party are more likely to act only after due deliberation. In the same manner, the disgruntled employee, who quits on the spur of the moment, probably with a fancied grievance against his foreman which prevents him from talking the matter over, will often be won over to remaining with the company, after telling his troubles to the employment man, in the same or some other department. It is a question which phase of employment work has the most direct bearing on reduction of labor turnover—careful selection on employment or judicious interview of resignations and discharges.

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